Department of Administration
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 12, 2002
Prepared by: Dan Spencer, Director of Administrative Services

The House Finance Subcommittee's budget reduces the Department of Administration's general fund request by $7,549,900 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction	($ 5,100)	GF Match
(Commissioner's Office)	($1,043,300)	General Fund
	($ 92,200)	GF/Prog Receipts
	($ 261,300)	GF/Mental Health

Impact Title: Eliminate program funding equal to the general fund portion of statewide bargaining unit agreement salary adjustments, reduce travel funding

Impact Analysis:
The House Finance Subcommittee's proposal makes an unallocated reduction of $1,401,900 which consists of a general reduction of $85,000 for travel and a generic cut of $1,316,900, which is the amount of general funds needed for the FY03 labor contracts salary adjustments.

The salary-adjustment related reduction will be taken in each program where the funding was included in the Governor's budget.

No decision has been made on how to allocate the travel reduction.

Program:	Dollar Amount(s):	Fund Source(s):
Division of Finance	($ 293,500)	General Fund

Impact Title: Reduce payroll system software maintenance, increasing the risk of system failure

Impact Analysis:
The House Finance Subcommittee's proposal cuts $225,600 requested to add three new payroll system programmers and eliminates $67,900 in unavoidable cost increases from statewide labor contracts. These reductions put the statewide payroll system at risk.

The state's payroll system, AKPAY, is 12 years old and requires increased maintenance effort to keep it operational. Existing programming staff are making software upgrades required for continued vendor support of the current version of this critical software product, as well as addressing a backlog of system modifications to deal with everyday payroll issues.

The AKPAY software vendor has indicated that future maintenance releases will no longer support our existing underlying database management system (ADABAS). Before the next major maintenance update in FY2003/2004, we must convert the AKPAY database to DB2. This is a very large project and is more than existing staff can handle. Without additional programmers, the probability of system failure is greatly increased.

The payroll system supports every activity of the State of Alaska. Its importance is reflected in two of the division's performance measures: system down time and amount of penalty pay. In the case of system failure, both of these measures will increase significantly.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Division of Motor Vehicles (DMV)	($ 300,600)	General Fund
	($ 81,700)	GF/Prog Receipts

Impact Title: Increase waiting time for DMV services, consolidate Anchorage offices

Impact Analysis:
This $382,300 reduction eliminates funding for unavoidable cost increases from statewide employee bargaining unit agreements and postage increases, and makes a general reduction to the program. In order to cope with a reduction of this magnitude, the DMV will be forced to hold permanent positions vacant and not fill seasonal positions during the extremely busy summer.

Leaving positions vacant will significantly increase wait times at DMV offices for all types of services, including counter services such as vehicle registration and driver license issuance, on-the-road driving tests for personal and commercial licenses, and driver license revocation hearings. These service reductions can only be made in the larger offices with several staff, meaning the impacts will be mostly felt in Soldotna, Anchorage, Mat-Su, and Fairbanks.

Because Anchorage has four DMV offices, including the Eagle River office, the downtown Anchorage office will likely be consolidated with the midtown and Benson Street offices to minimize the impact on waiting times for Anchorage customers.

The average wait time is one of the performance measures established for DMV by the legislature. During FY2001, the average wait time in all DMV offices was 20.3 minutes.

The combination of fewer staff and an increasing number of transactions due to the increasing population in the urban areas will lengthen the customer's waiting time.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska Public Offices Commission	($ 204,300)	General Fund

Impact Title: Reduce timely campaign finance information for the public and assistance to campaigns on compliance with campaign disclosure laws

Impact Analysis:
The proposed House budget eliminates funding ($186,300) for election year activity and implementation of campaign disclosure law changes passed by the legislature as an override of the Governor's veto of SB103 and HB177. In addition, the proposed FY03 budget anticipated the upgrade of a part-time position in the Juneau office to full-time. The combined impact may force the Commission to eliminate the position all together.

The consequences of the legislature's failure to fund the proposed budget jeopardizes the Commission's ability to timely disseminate information to the public. Campaign finance information is required by law to be provided to the Commission before the electionbut will most likely not be available until after the election has occurred. Without funding for printing, training and support staff, the Commission will be unable to assist candidates and political groups to understand the changes to the campaign disclosure laws, which will likely result in costly complaints and substantial non-compliance.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska Public Defender Agency	($2,620,800)	General Fund
	($ 4,500)	GF/Prog Receipts
	($ 2,900)	GF/Mental Health

Impact Title: Eliminate the Public Defender's ability to meet constitutional and statutory responsibilities

Impact Analysis:
The proposed House Finance Subcommittee budget for the Alaska Public Defender Agency includes a specific program reduction of $2,413,700 from the Governor's budget and a further $214,500 unallocated reduction. The right to counsel as provided by the Alaska Public Defender Agency is guaranteed by the United States Constitution (Amendment VI), the Alaska Constitution (Article 1, Section 11) and Alaska Statutes (AS 18.85.010-180). The right to counsel means the right to effective assistance of counsel. A legislative audit concluded that as of April 1998 the Public Defender agency

was 41 attorney positions short to handle its caseload. Caseloads have continued to grow since that time, without a corresponding increase in staff.

The Public Defender Agency not only represents indigent defendants in criminal cases, but provides for representation in appeals of criminal convictions, represents parents in cases involving the termination of parental rights, appears on behalf of clients at parole board hearings, and represents individuals threatened with the loss of personal freedoms in mental capacity hearings.

This agency cannot abdicate its constitutional and ethical responsibilities without jeopardizing the entire criminal justice system. As a result of recently passed legislation increasing penalties and creating new crimes, the caseload of the Public Defender Agency is continuing to grow. The underfunding of the Public Defender Agency in FY02 requires a supplemental appropriation of over $650,000. The House proposal for FY03 will require a supplemental appropriation of approximately $1.0 million just to maintain the status quo, without making any of the improvements to streamline operations and provide better counsel as recommended in the legislative audit and proposed in the Governor's FY03 budget.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Office of Public Advocacy	($2,271,100)	General Fund
	($ 20,700)	GF/Mental Health

Impact Title: Eliminate funding for contracted attorney services

Impact Analysis:
The House Finance Subcommittee proposal includes a specific program reduction of $2,213,400 from the Governor's budget and a further $78,400 unallocated reduction. This eliminates funding for the Office of Public Advocacy to promptly compensate contract attorneys for their services in both civil and criminal representation of clients.

The Office of Public Advocacy provides representation of criminal clients where the Public Defender Agency has a conflict, represents the interests of a child in children-in-need-of-aid cases, represents parents in termination of parental rights cases where the interests of the two parents are not the same and the Public Defender Agency represents the other party, and provides guardianship services to individuals who are not competent to manage their own affairs. All of these cases are predicated upon court orders of appointment directing the agency to provide services. These is absolutely no provision in the law for the Office of Public Advocacy to refuse to take cases, or refuse to provide services once appointed by the court.

State employees are the cheapest method of providing representation in these areas. The Office of Public Advocacy hires contractors to provide these services where the caseload is insufficient to warrant a full-time state employee, or to supplement staffing where the caseload is uneven. Contractors are obtained through a competitive procurement process, or are appointed directly by the Court. Attorneys accept contracts at rates much less than their billable hourly rate because the Office of Public Advocacy has a history of prompt payment. Should the Office of Public Advocacy have to force contractors to wait several months for payment until a supplemental budget is approved, fewer attorneys will be willing to provide services and/or prices will increase substantially.

The Office of Public Advocacy has a supplemental request for FY02 in excess of $1.8 million dollars. Funding requested for FY03 was to bring the FY03 appropriation up to a level which would cover the expenses being experienced in the current year and recognize some growth in caseload based upon the trend over the past several years.

The House proposal will require a supplemental for FY03 of at least $1.8 million.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Pioneers' Homes	($ 404,300)	General Fund
	($ 234,100)	GF/Mental Health

Impact Title: Reduce the number of available beds in Pioneer Homes

Impact Analysis:
The Pioneers' Homes are currently operating with approximately 90 beds empty because staffing is insufficient to provide the 24-hour care that the people on the Pioneers' Home waiting list need. All of the Pioneers' Homes have waiting lists of people seeking immediate admission to a Home. In order to maintain safe staffing-to-resident ratios in all six Pioneers' Homes, direct care positions that cannot be funded have been and will continue to be offset by a decrease in the number of residents served.

The Palmer Pioneers' Home has also had approximately 6 beds off-line due to remodeling which were intended to be staffed to provide enhanced assisted living (24-hour oversight) and made available to people on the waiting list in April, 2002. Due to the need to allocate a portion of the House's proposed department unallocated reduction to the Pioneers' Home program, these beds will not be filled at this time.

In addition, it will be necessary to reduce the number of beds at the Anchorage Home in the Enhanced Assisted Living unit and the Comprehensive Care Unit, by 5 beds each, increasing the number of vacant beds throughout the system by another 10 beds. The Anchorage Pioneers' Home is the only home large enough to allow the reduction of staff necessary to meet the budget reduction without having to close an entire unit. Any reduction in the Pioneers' Home census will also result in the loss of resident revenues, so further reductions must be made to offset an additional shortfall of approximately $200,000 in pioneers' home receipts.

Department of Community and Business Development
Impact Statements in Response to
House Finance Budget Proposals
Date: March 16, 2002
Prepared by: Tom Lawson, Director
Division of Administrative Services

The House Finance Subcommittee's budget reduces the Department of Community and Economic Development's general fund request by $30,806,300 from the Governor's amended budget request.

The House Finance Subcommittee's proposal for the Department of Community and Economic Development (DCED) includes several specific cuts in addition to an unallocated reduction of $184.8, equal to the general fund year three labor costs. The labor cost reductions have been allocated to DCED divisions and offices where the FY03 operating budget general fund increments were incurred.

The subcommittee also proposes an unallocated travel reduction to DCED of $28.9. For those divisions, offices and programs that have both general funds and a travel budget, the department calculated the percentage of general fund each program had based on the total general fund of those programs and took that percentage of the $28.9 for the reductions.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
State Revenue Sharing	($12,855,200)	General Fund
Safe Communities	($16,775,500)	General Fund

Impact Title: Eliminate all State Revenue Sharing and Safe Communities Funding

Impact Analysis:
The House Finance Subcommittee's proposal to eliminate the State Revenue Sharing and Safe Communities programs, a total of $29,630.7, will have a severe effect on Alaska's municipalities, especially the rural cities. While there was discussion of funding these programs in fiscal notes to pending legislation, there is no assurance that a bill will be passed. If not, in communities under 1,500 people the loss of funding could be so severe that the city would seek dissolution. In other instances, core public services such as sewer and water, police, fire, and road maintenance will be eliminated or reduced to a level that threatens the health and well being of community residents.

In addition to direct service impacts the State can expect accelerated deterioration of community facilities because of lack of maintenance, reduction or elimination of insurance on public facilities, an increase in IRS liabilities and levies, and defaults on outstanding debts.

In communities with a solid tax base we will see a significant reduction in services coupled with an increase in local taxes and user fees.

Because of these impacts, the demand for the services provided by the Department's Local Government Specialist and Local Boundary Commission staffs could increase dramatically. This demand can be expected to exceed the Department's current capacity to provide financial and other local government assistance services. Consequently, many cities in need of assistance coping with revenue, expenditure and service declines will receive reduced technical assistance or none at all.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Power Cost Equalization Program	($3,093,400)	Power Cost Equalization and Rural Electric Capitalization Fund

Impact Title: Deny increment to fully fund Power Cost Equalization

Impact Analysis:
The House Finance Subcommittee's proposal to deny the increment to fund the Power Cost Equalization (PCE) Program at 100% of the statutory formula level means the program would be pro rated to 85% for Fiscal Year 2003. At the reduced level, PCE customers will pay an average rate of 21.85 cents/kilowatt hour (kWh) for electricity after applying the PCE credit. Even when PCE is fully funded, customers would pay an average rate of 18.67 cents/kWh after applying the PCE credit compared to the average rate of 9.9 cents/kWh paid by residents living in Anchorage, Fairbanks and Juneau.

PCE was established to provide relief in parts of the state where the development of major electrical production and distribution projects is not financially feasible. Communities in areas that are not served by roads experience very high costs of producing electricity, usually by diesel, due to high transportation costs and limited economies of scale. These costs must be recovered from a small customer base possessing limited disposable income. Power Cost Equalization is a core element to ensure the financial viability of centralized power production in rural communities.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Qualified Trade Association	($500,000)	General Fund

Prepared by: Tina Lindgren, President, Alaska Travel Industry Association

Impact Title: Reduce Tourism Marketing State Match

Impact Analysis:

The House Finance Subcommittee's proposal to reduce $500.0 to tourism marketing would be very detrimental to the industry. This would mean a total reduction of $1.1 million from FY01 (a $650.0 reduction was included in the Governor's FY03 operating budget request since by statute the state match to tourism marketing is reduced to 40% beginning in FY03).

This is a critical time for Alaska's tourism businesses. The events of September 11 have had an extraordinary impact on the travel industry throughout the state. With the possible exception of cruise ships, according to recent news reports, businesses in every sector have seen bookings decline an average of 24%. Many are hoping to just "get through" this year with the hope that FY03 will be better. To follow a potentially disasterous year with further reductions in the FY03 marketing program will likely cause more businesses to falter.

The private sector will be contributing the majority of the marketing funds. For every $40 the state spends the private sector will contribute $60. In FY00, the private sector matched state funds by 25 percent and this increased to 30 percent in FY01 and FY02. In FY03, the industry's match will rise to 60 percent.

The state should continue to support the funding formula outlined in the Millenium Plan
When the legislature passed legislation that consolidated marketing functions, the private sector agreed to increase its contributions. At the same time the plan called for a minimum base-level of $4 million in state funds for FY03 and beyond. The industry intends to raise funds to meet its agreement for funding 60% of the tourism marketing program in FY03. The state should honor its part of the plan by allocating the full $4 million.

National television advertising is needed. A reduction of $500.0 would cut the television budget by approximately half. Now, more than ever, it is critical that Alaska's message be heard in the national marketplace.

Alaska continues to lose market share. Alaska is already at a significant marketing disadvantage as compared with other states. In terms of state funding for tourism, Alaska ranks 36th. The proposed reduction would put us 45th out of 50 states compared to 7th place a decade ago.

$500.0 BUDGET REDUCTION
Loss of approximately one half of the television buy resulting in:

- Loss of ads that would be viewed over 41 million times.
- Loss of 20 million households that would be exposed to the vaction planning website address through the tv ad. The website links businesses throughout Alaska to visitors.
- Loss of approximately 20,000 requests for the state Vacation Planner, which is a primary marketing tool for small businesses.

Program:	Dollar Amount(s):	Fund Source(s):
Community and Business Development	($9,300)	General Fund/ Match
	($102,200)	General Fund

Impact Title: Lack of Funding for Year 3 Contract Labor Costs and Unallocated Travel Reduction

Impact Analysis:
The House Finance Subcommittee's proposal includes an unallocated reduction equal to the general fund year three labor costs. In addition the subcommittee proposes an unallocated travel reduction. These reductions would result in the elimination of the Deputy Director position and associated support funding. Historically, this position has been staffed by a person with a strong background in the Tourism industry. As a result, loss of the position will reduce the division's capacity to provide assistance in that sector of the economy. Work with other tourism agencies and private groups will be reduced. Staff who currently work with communities and private sector developers will have to pick up some of the duties of this position, particularly data gathering and analysis. This change will reduce, by approximately 30%, the division's ability to provide direct assistance to residents of localities interested in developing tourism opportunities.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Economic Information System	($275,000) 4 positions	General Fund

Impact Title: Deny Increment for Alaska Economic Information System

Impact Analysis:
The House Finance Subcommittee's proposal denies the increment to fund the Alaska Economics Information System (AEIS) which brings together a vast array of state, federal and private data about the state's economy, resources and communities. increment in the FY03 budget. The AEIS is a state of the art digital information system that users can directly access and use for business and community planning. It will be useful in both the old and new economies. So far, the AEIS has been extremely well received by policy makers, local community planners, and business leaders, academics and agency managers – primarily because there has been an unfilled demand for many years. The tradeoffs associated with the loss of the AEIS increment are as follows:

- The existing AEIS was accomplished by postponing a number of ongoing sector development programs including minerals fieldwork associated with the annual minerals report, tourism planning at the community level, the SEATRAILS program, the annual seafood industry report, promoting new timber processing in Alaska, and status reports on rural energy. Commitment to maintaining and improving the AEIS is compromised by the other, necessary work of the Division that has been deferred during this project, work that must also be accomplished.

- The AEIS sector reports for oil and gas, mining, tourism, seafood processing, timber, and agriculture will not be updated, leaving potential investors in Alaska with information that is 3-5 years old. Only the Labor Department's economics information on earnings and employment, adults not in the work place, per capita income, population, net migration and poverty will be updated.
- Current economic trends are largely based on only a small part of the economic picture: wages and salary reported employment. Efforts to estimate commercial fishing employment and non-resident tourism are crude and nothing has been done to provide broader information on overall business flows in and out of Alaska. The AEIS increment would start to address these critical issues by working with organizations such as ADF&G, DOL&WFD and ISER.
- Ironically, it is difficult to gather information on Alaska's two growth industries, tourism and mining. Moreover, tourism and seafood processing are the two leading sectors, but are facing critical short-term and long-term challenges. The AEIS increment would provide more up-to-date information for these sectors.
- Alaska must compete in a global market, including our digital information base. All states are developing new websites to better attract new businesses. Having a competitive information system for Alaska is more of a defensive requirement than an offensive option.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Division of International Trade & Market Development	($90,000)	General Fund

Impact Title: Deny Increment for Trade Representation in China

Impact Analysis:
The House Finance Subcommittee's proposal denies the increment for new contract trade representation in China, which would help open up opportunities for Alaska's companies and economy. China, with one of the world's fastest growing economies (GDP increase of 8-9% this year), is an opportunity for Alaska to grow and diversify from our traditional markets.

Alaska's export community benefited from the state's early entry into Japan and Korea. When we established representation in Japan in 1965, Alaska exported $30 million there – now it's $1 billion. When we established representation in Korea in 1985, we exported $80 million – now it's $450 million. While the state's trade representation was not the only reason for these successes, it was an important factor. Analysis by the division and the private sector indicates there are opportunities for Alaska in China now. Alaska's exports to China are currently $100 million annually – and now is the bottom of the curve.

Having representation in China will help Alaska firms realize this potential. The need is particularly acute for the forest products industry, whose companies have requested the division establish trade representation in China. China has sent a number of high level business and government delegations to Alaska during the past two years, all of whom say they look toward Alaska's natural resources to play an important role as that country continues to grow.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Assistant State Assessor	($75,000) 1 position	General Fund

Impact Title: Deny Increment for Assistant State Assessor

Impact Analysis:
The House Finance Subcommittee's proposal to deny the increment to fund an Assistant State Assessor position means that the State Assessor will be unable to review all municipalities' valuation processes on a detailed basis. Now the assessor can select only several to do each year, resulting in some municipalities' valuations being inaccurate. Since the Full and True Value Determination is used as a measure of a community's wealth for school funding purposes, inappropriate disparities will exist between communities.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Division of International Trade & Market Development	($34,300) ($11,900)	General Fund General Fund/ Program Receipts

Impact Title: Lack of Funding for Year 3 Contract Labor Costs, Unallocated Travel Reduction, and Reduction of General Fund Program Receipts Authority

Impact Analysis:
The House Finance Subcommittee's proposal includes an unallocated reduction equal to the general fund year three labor costs. In addition the subcommittee proposes an unallocated travel reduction and reduction of $11.9 in general fund program receipts authority.

The unallocated reduction decreases the division's ability to promote the export of Alaska's goods and services through trade shows, trade missions, seminars and other "door-opening" activities that lead to expanded business for Alaska companies. Particularly hard hit will be the division's ability to conduct promotions at venues such as hotels, department stores and supermarkets overseas on behalf of Alaska value-added product makers including food and beverages, gifts and other goods. Also the division's ability to promote professional and technical services overseas on behalf of Alaska firms will suffer as a result of the proposed reduction.

Travel reductions limit the division's ability to travel in support of trade promotion activities such as trade shows, trade missions and corporate visits. These activities are generally combined government – private sector missions and visits, with private sector paying its own way. With Alaska's major trading partners (Asia), often a government "stamp of approval" or introduction is helpful to the Alaska business. Staff travel to participate in events such as trade shows allows the division to leverage private and public funds by representing many companies at a show that might be cost-prohibitive for participation by any single company.

The $11.9 in program receipts authority currently offsets some of the expense of producing the division's annual report on Alaska's exports, and other division publications and services. Its elimination hurts the fiscal gap because it means the division cannot receive user fees or receipts from the private sector to help defray the costs of these services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Division of Administrative Services	($46,600)	General Fund

Impact Title: Lack of Funding for Year 3 Contract Labor Costs and Unallocated Travel Reduction

Impact Analysis:
The House Finance Subcommittee's proposal includes an unallocated reduction equal to the general fund year three labor costs. In addition the subcommittee proposes an unallocated travel reduction.

Prior cuts have reduced administrative support to minimal levels. In order to maintain the necessary level of service of the department's various administrative functions the division would spread the unallocated reduction of $46.6 among divisions in an unbudgeted cost allocation. This action would most likely cause additional financial distress among DCED divisions and agencies by increasing the unallocated reduction among programs already being reduced.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Occupational Licensing	($21,900)	General Fund/ Program Receipts

Impact Title: Lack of Funding for Year 3 Contract Labor Costs, Unallocated Travel Reduction, and Reduction of General Fund Program Receipts Authority

Impact Analysis:
The House Finance Subcommittee's proposal includes an unallocated reduction equal to the general fund program receipts year three labor costs. In addition the subcommittee proposes a reduction of $10.0 in general fund program receipts. These reductions would force the division to reduce its Fairbanks Business License Office to part-time.

The Division of Occupational Licensing has only two programs that are funded with General Fund Program Receipts: Business Licensing and the Athletic Commission, which licenses boxers.

The Athletic Commission was the cause of $10.3 in FY01 GF/PR expenses. The division recommends that statute changes be considered that would either eliminate the licensing of boxers or would enable Athletic Commission fees to cover expenses. This would allow Athletic Commission GF/PR expenses to be cut. If the division remains responsible for licensing boxers in FY03, the cost of this program cannot be reduced below its current low level.

Without changes to the Athletic Commission statute, the entire $21.9 GF/PR cut must be taken from the business licensing program. The business licensing program generates approximately $2 million in revenue each year through licensure of over 70,000 Alaska businesses. Program expenditures are almost exclusively for staff salaries, printing and mailing of license and renewal forms and the program's share of infrastructure such as phones, office space and administrative services.

Therefore, any budget reductions must come from staff positions. Business licensing employees are range 8-10 administrative clerks. They answer over 30,000 phone calls annually from Alaskans requesting help with licensing and assist customers in the division's Juneau, Anchorage and Fairbanks offices. Over the past seven years, they have been able to reduce the typical business license processing time from three weeks to one week. Reductions in staff will increase the length of time customers wait for licenses.

The division's Fairbanks office has a single employee and he works on business licensing. The $21.9 GF/PR cut would result in the Fairbanks office only being open to the public the equivalent of two full days a week.

Department of Corrections
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 8, 2002
Prepared by: Dwayne Peeples, Director/Administrative Services

The House Finance Subcommittee's budget reduces the Department of Correction's general fund request by $15,759,400 from the Governor's amended budget request.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Administration and Operations	($7,195,500)	General Funds

Impact Title: Unallocated Reduction

Impact Analysis:
The House Finance Subcommittee's unallocated reduction, if adopted, will result in dangerous over-population at all existing state correctional centers. The Agency anticipates a 4 to 5% growth in the offender population annually resulting in 150-200 more offenders coming into the correctional system every year. Without the funds to pay for additional beds and required services such as medical care, another inmate class action lawsuit may very well surface and result in the reintroduction of court oversight of state corrections. The Agency was just released in August 2001 from two decades of court oversight due to a lawsuit filed by prisoners in 1982.

The subcommittee's unallocated reduction from this year's funding level will have to be implemented by the Agency as follows:

- Hold 25 Correctional Officers and 7 Adult Probation Officers Vacant-Statewide.

There are already 45 correctional officer and 7 adult probation officer positions being held vacant to meet existing personal services under-funding. The Agency will have to hold an additional 25 correctional officers and 7 adult probation officers vacant in FY2003. Holding 70 correctional officers vacant dramatically reduces the security of correctional operations in institutions and increases the risk to employee and public safety. Holding 14 adult probation officers vacant increases the safety risk to the general public by increasing caseload sizes beyond a probation officer's ability to competently cover parole/probation services. Higher levels of overtime throughout the system will be necessary to maintain requisite security coverage, therefore contributing to higher stress levels and declining morale at overcrowded correctional facilities and probation offices.

- Cut 209 In-state Community Residential Center (CRC) Beds in Anchorage

The Agency will cut up to 209 in-state community residential center beds, bringing statewide CRC capacity from 733 beds to 524 beds. To accomplish this action, the Agency will need to redistribute all of the existing Anchorage CRC population by placing sentenced misdemeanants and offenders on furlough in programs such as electronic monitoring.

- Eliminate Culturally Relevant and Behavioral Modification Services

The Agency will eliminate culturally relevant services at community residential centers in Nome and Bethel, and the statewide batterers program and the white bison program. Continued reduction of inmate programs increases the danger to all staff and offenders in the institutions. Cuts also mean that offenders will return to their communities upon release without the skills necessary to change their destructive pattern of social interaction.

- Close the Alaska Correctional Industries' Mt. McKinley Meats Program in Palmer.

The Meat program at Palmer will be closed and 3 oversight staff along with 1 Anchorage Central Office staff will be cut. Elimination of the only meat processing plant in the Mat-Su Valley will impact all Alaska live stock producers. Inmates working at this ACI program will be reassigned to other institutional work programs at Palmer Correctional Center.

- Reduce Administrative Services Accounting Staff

Cutting accounting staff will reduce the ability of the Agency to meet the 30-day vendor payment statutory requirements and result in late payment assessments by state vendors.

- Cut 20 Offender Beds at the Out-of-State Central Arizona Detention Center

The number of out-of-state Central Arizona Detention Center (CADC) placements will cut by a minimum of 20 beds, bringing the number of CADC placements to 565 offenders resulting in increased overcrowding in Alaska facilities.

Additionally, the proposed FY2003 House Finance Subcommittee's budget recommendation does not address several important Agency increment requests that are critical to meeting core correctional program delivery.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Administration and Operations	($1,000,000)	General Funds

Impact Title: Inmate Health Care Shortfunding

Impact Analysis:
The Agency has implemented efficiencies throughout the program to save state funds and to get effective use of existing resources. Preferred provider hospital contracts are saving hundreds of thousands of dollars, contractor costs are reduced, and partnerships are being developed with other state agencies. The department anticipates double-digit medical care cost inflation, and the continued expanding need for services and medications to treat inmates' conditions, injuries and diseases. We have made great strides in reducing those costs that are controllable through negotiations of contracts and by only providing absolutely necessary medical services. The Agency anticipates the need to submit a $1.0 million supplemental request in FY2003 to address increasing health care needs of greater numbers of offenders incarcerated.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Administration and Operations	($ 250,000)	General Funds
	($ 265,000)	PFD Funds
	($ 515,000)	Total

Impact Title: Program for Inmates with Children

Impact Analysis:
Children of incarcerated parents are frequently exposed to situations and behaviors prior to, during and after their parents' incarceration, which put them at great risk of child abuse and neglect as well as compromising their health. The Agency requested $250,000 of General Funds and $265,000 of felon dividend funds for a new program to assist incarcerated parents who have children with employment, housing, health care, substance abuse programs, and parent-child counseling during their incarceration to help them meet additional obstacles upon release.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Administration and Operations	($ 471,200)	General Funds
	($ 28,800)	PFD Funds
	($ 500,000)	Total

Impact Title: Deny improvements for Southcentral Region Probation

Impact Analysis:
The Agency requested $471,200 of General Funds and $28,800 of felon dividend funds to implement the Dual Diagnosis Probationers and Parolees with Children Program. This would create specialized caseloads for dual-diagnosed offenders (men and women with both mental illness and alcohol/drug abuse) with children to facilitate family

reunification and stability. Problems of trauma, self esteem, thinking errors related to cognitive development and parenting are interrelated with mental illness and substance abuse. Treatment and development of community support would help offenders to care for themselves and their children, to live drug-free, and to maintain psychological as well as residential and employment stability. Currently, the dual-diagnosis population including the felony DWI population, is the fastest growing group of probation/parole offenders. The Agency will be unable to hire additional Probation Officers to reduce already high caseloads and create specialized caseloads for these dual diagnosis probationers and parolees with children.

Department Education and Early Development
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Karen Rehfeld

The House Finance Subcommittee's budget for the Department of Education & Early Development cuts $6,411,500 in state general funds from the Governor's amended FY2003 operating budget request. This amount includes the subcommittee's proposed fund source switch of $470,000 from general funds to ACPE Dividend for Kotzebue Technical Center.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools - Statewide Assessment	($770,000)	General Fund

Impact Title: Short fund implementation of High School Exit Exam

Impact Analysis:
The House Finance Subcommittee's proposal does not fully fund the contract with CTB McGraw/Hill for ongoing development and implementation of the High School Graduation Qualifying Exam (HSGQE). State law, AS 14.03.075, requires that students, beginning with the Class of 2004, pass all three parts of the exam in reading, writing, and math, in order to receive a high school diploma. Changes in the focus of the exam and the requirements have resulted in increasing costs with the test contractor. In addition, the legislature has implemented performance measures for the department directly related to student performance on the High School Graduation Qualifying Exam.

The department needs $498,900 in the current year for these contractual costs and $770,000 in FY2003. The high stakes nature of the HSGQE adds to the cost of developing and implementing the test for security reasons and to have different versions of the test available on a rotational basis. With the demand for student testing on a national basis and the limited capacity of testing companies to meet this demand, these costs will continue to increase. As a small state, Alaska will always have an economy of scale issue and testing a small number of students will be expensive.

The absence of this funding combined with the subcommittee's proposed unallocated reduction will have a serious impact on the state's ability to implement the statutory testing requirements and provide the data necessary to meet the performance measures established by the legislature.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Data Collection	($730,000)	General Fund

Impact Title: Short fund school accountability system

Impact Analysis:
The House Finance Subcommittee's proposal does not fund the Education Funding Task Force recommendation to expand the state's capacity to collect, analyze, and report educational data that is critical to the state's school accountability system. Alaska statutes 14.03.120-.123 specifically require reporting of data and a designation of school performance based on the data collected and reported. While the statutory accountability requirements have continued to increase, the department's capacity has been diminished over time, due in large part to the erosion of general funds through unallocated cuts.

A consolidated data collection system and the personnel to use it effectively is critical to the school accountability system. We have access to a tremendous volume of data on students, teachers, and schools but without the resources to capture, store, analyze, and report the information, local and state policy makers will not be able to utilize this data in their decision-making. The ability to utilize meaningful data will significantly improve our educational system.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Alternative Assessment	($130,000)	General Fund

Impact Title: Eliminate funding for Alternative Assessment for High School diploma

Impact Analysis:
The House Finance Subcommittee's proposal eliminates funding approved by the legislature in FY2002 for new statutory requirements under AS 14.03.075 that allow a child with a disability who does not pass the High School Graduation Qualifying Exam, to complete an alternative assessment program developed by the student's individual education program in conformance with state performance standards. The legislature clearly intended for the department to establish the uniform standards for the alternative assessment through regulation and retain the capacity to work with school districts and IEP teams in meeting these requirements. In addition, these funds were included to support the portion of the law that requires establishing a waiver and appeal process for students of the high school graduation qualifying examination requirement under certain circumstances. This reduction eliminates the department's ability to comply with the statutory requirements.

Program:	Dollar Amount(s):	Fund Source(s):
Head Start Grants	($850,000)	General Fund

Impact Title: Reduce general funds for Head Start grants

Impact Analysis:
The House Finance Subcommittee's proposal does not allow continuation of $350,000 of funding approved for FY2002 and does not fund a requested increase of $500,000 in additional state funds that will strengthen existing programs, expand services to additional children and families, and assist programs in meeting federal Head Start program performance requirements.

Currently, Head Start programs are only able to serve approximately 23% of eligible children and families. These cuts to Head Start programs will eliminate the ability to expand services through increasing existing program capacity or developing new programs. This will severely impact the ability to leverage approximately $2.5 million in federal expansion funds, and our efforts to increase the percentage of eligible children served by Head Start programs.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction Department-wide	($1,247,400)	General Fund

The House Finance Subcommittee's proposal does not specify where the department should take the $1,247,400 in general fund reductions. Given the size of the proposed cut, in addition to having to absorb the cost of the negotiated Year 3 labor costs, and given the reductions in other areas of the budget, the impact will be felt most heavily on programs with the highest percentage of general fund budgets. Following is an outline of where the department would take reductions of this magnitude should the House proceed with these recommendations:

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction Community Schools	($500,000)	General Fund

Impact Title: Eliminate state funds that support community school programs.

Impact Analysis:
To accommodate the House Finance Subcommittee's unallocated reduction, the department would eliminate funding for community schools program under AS 14.36. The role of the community schools program is to provide access to educational facilities after the school day for community education and other programs. The statutory

allocation for this program would require a funding level in excess of $3 million on an annual basis.

The community schools program has not been fully funded since the mid 1980's. Funding dropped from over $2 million in FY87 to $800,000 in FY88-89, to $600,000 from FY90-96, and has been at $500,000 since FY97. This funding, allocated among Alaska's 53 school districts, does not provide a significant share of the local school districts' costs to keep a school open after school hours.

Although the department is supportive of the community schools program, the proposed unallocated reduction by the House subcommittee will leave little choice but to recommend this cut.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Unallocated Reduction Education Special Projects Alaska Minerals/Energy Education	($50,000)	General Fund

Impact Title: Eliminate funding for Minerals/Energy Education

Impact Analysis:
As part of the House Finance Subcommittee's unallocated reduction, the department will not be able to continue to provide minerals and energy education materials, training, and technical support to school districts.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Unallocated Reduction Alyeska Central School	($91,200)	General Fund

Impact Title: Eliminate general fund/program receipts for courses and tuition

Impact Analysis:
As part of the House Finance Subcommittee's unallocated reduction, Alyeska Central School (ACS) will not be able to continue to provide distance education tuition courses to all school districts in the state. These tuition students are generally not home schooled, but are classroom students, who, for a variety of reasons cannot participate in their scheduled onsite classes. ACS provides the course materials and teaching services – at cost - and makes no revenue or profit from providing this service. Since the expense of development, services and materials provided is equal to the tuition charge, this does not affect the fiscal gap.

The public's alternative is to use courses from out of state schools, but they do not need to meet state standards and the institutions have little motivation to see students succeed – including online courses. All courses developed by ACS are required to meet or exceed state standards. It is in the best interests of the students of Alaska to promote in-state, quality distance education courses.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction AK Vocational Technical Center	($130,000)	General Fund

Impact Title: Eliminate Certified Nurse Assistant Training Programs

Impact Analysis:
The House Finance Subcommittee's unallocated reduction, combined with having to absorb the negotiated Year 3 labor costs, will impact the department's ability to provide vocational training programs such as the Anchorage based Certified Nurse Assistant training program offered by the Alaska Vocational Technical Center (AVTEC) in partnership with Providence Health Systems Alaska and the Alaska Department of Public Assistance. All successful graduates are guaranteed employment making livable wages. Elimination of these programs will mean 166 Alaskans will not be trained with these certifications annually.

Healthcare is the fastest growing employment sector of the Alaskan economy. Without access to trained workers in state, Providence Health Systems Alaska will need to recruit outside Alaska to fill these jobs. A majority of the students enrolled in these programs are ATAP recipients and are moved from welfare to work upon graduation. AVTEC will lose more than $300,000 in revenue as a result of the elimination of these programs. Five nurse educators will lose their jobs and 166 Alaskan's will not move from welfare to self-sufficiency through employment. Most importantly Alaska's business and industry community will lose faith in the public education system's ability to respond to meet their employment needs in a timely and continual manner on which they can rely.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction Library Operations Statewide Library Electronic Doorway	($50,000)	General Fund

Impact Title: Reduce funding for SLED

Impact Analysis:

As part of the House Finance Subcommittee's unallocated reduction, the department would reduce funding for the Statewide Library Electronic Doorway (SLED). SLED provides managed Internet access to libraries, schools and citizens reaching areas of the state still lacking commercial internet service and providing access for Alaskans who cannot afford access fees.

There have been some savings in telecommunication costs as a result of AT&T's elimination of AlaskaNet sites. SLED will continue to provide services to the extent possible, under the current contract with UAF and through the work of volunteer librarians and users from around the state.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Unallocated Reduction Various Components	($426,200)	General Fund

Impact Title: Reduce administrative support and travel

Impact Analysis:
Reductions in travel and administrative support will impact the entire department including specific program areas that rely on field travel to fulfill their mission, such as child care licensing. In addition, reductions in administrative support limits the department’s ability to provide services to the public in a timely manner.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Unallocated Reduction - Year 3 Labor Costs Various Components	($219,400)	General Fund

Impact Title: Eliminate state funds for Year 3 Labor Cost increases

Impact Analysis:
The House Finance Subcommittee's unallocated cut directly related to the state cost of the Year 3 labor agreements will be absorbed through personal services reductions in all budget components. Positions will need to be left vacant for a longer period of time or in some cases, positions will be left unfilled in order to provide the funding necessary to implement the negotiated agreements. This reduction, combined with additional unallocated cuts proposed by the House Finance Subcommittee will impact the department’s ability to efficiently and effectively administer statutorily required programs and services.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Statewide Correspondence	($175,000)	General Fund

Impact Title: Eliminate funding for statewide correspondence program monitoring and review

Impact Analysis:
The House Finance Subcommittee's proposal does not fund the department's request for two positions to ensure the quality of educational services being provided through a growing number of statewide correspondence programs. The number of students enrolling in statewide correspondence programs has increased dramatically over the past several years. The department does not have the resources to adequately review the applications from school districts to operate these programs or follow up on monitoring and evaluating these programs. Additional oversight is necessary to ensure instructional and fiscal accountability.

Program:	Dollar Amount(s):	Fund Source(s):
Special and Supplemental Services Early Literacy	($100,000)	General Fund

Impact Title: Eliminate general fund for early literacy efforts

Impact Analysis:
The House Finance Subcommittee does not include funding to make sure that statewide early literacy efforts are reaching eligible children ages 0-8 and their families and making a difference in preparing young Alaskans for school.

Early literacy is a key indicator of school success. The governor's Smart Start initiative included funding for a position to pool resources from existing programs to train parents, caregivers, educators, and paraprofessionals in age appropriate early literacy instruction.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Distance Education	($1,000,000)	General Fund

Impact Title: Eliminate funding for distance delivered courses

Impact Analysis:
The House Finance Subcommittee's proposal does not fund the department's request for funding to provide distant delivered courses in core content areas to small schools that do not have access to certified staff in specific content areas such as math and

language arts. This was recommended by the Education Funding Task Force because access to these courses is a critical element in closing the achievement gap for all kids.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska State Council on the Arts Silver Hand Program	($50,000)	General Fund Match

Impact Title: Reduce Silver Hand Program and match for National Endowment for the Arts funding

Impact Analysis:
The House Finance Subcommittee does not include funding for two areas under the Arts Council: Silver Hand and the state match for National Endowment for the Arts funding.

The Silver Hand program was established by AS 45.65.010-.070 in 1961 to authenticate Alaska native handicrafts and promote the marketing and sale of Alaska native arts. In FY 1999, the program was transferred to the Alaska State Council on the Arts with less than $5,000 to issue permits to distribute the seals, and to supervise and enforce use of the seals. Without adequate funding the Arts Council will not be able to deal with increasing violations by Outside wholesalers and dealers who blatantly market arts and crafts as Alaskan made when they clearly are not.

While the $50,000 increment was earmarked for the Silver Hand program, these funds can also be used as one-for-one match for federal National Endowment for the Arts funding. The additional federal funding would be used for direct grants to organizations and individuals around the state for arts in education, cultural heritage, and rural arts community development.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Tuition Students	($400,000)	General Fund

Impact Title: Reduce tuition payments to school districts providing educational services to children in state custody.

Impact Analysis:
The House Finance Subcommittee's proposal does not fund the increase necessary to compensate school districts for serving students in state custody. This will have the largest impact on the Anchorage, Fairbanks, and Kenai School Districts.

Program:	Dollar Amount(s):	Fund Source(s):
Schools for the Handicapped Out of State Education Services	($150,000)	General Fund

Impact Title: Short fund educational services provided to seriously emotionally disturbed students in out-of-state residential treatment programs.

Impact Analysis:
The House Finance Subcommittee's proposal does not fund an increase projected in FY2003 for educational costs related to students being served in out-of-state residential treatment programs. Medicaid does not reimburse the cost of educational services provided to these students who are in state custody/foster care. Placement decisions are made by the Department of Health & Social Services. Students are only placed in out-of-state treatment programs when existing resources within Alaska are full or if there is no residential treatment program available for these seriously emotionally disturbed youth.

Program:	Dollar Amount(s):	Fund Source(s):
Schools for the Handicapped Special Education Service Agency	($16,800)	General Fund

Impact Title: Short fund formula for providing special education services to school districts.

Impact Analysis:
The House Finance Subcommittee's proposal does not provide full funding for the Special Education Service Agency. The annual request is calculated as required by AS 14.30.650 of $15.75 per average daily membership in the prior fiscal year. The projected entitlement for SESA in FY2003 is $2,094,600. Funding is provided for itinerant special education services for districts that do not have access to specialists. SESA staff work directly with resident teachers and parents in delivering special education services to eligible children.

Department of Environmental Conservation
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 8, 2002
Prepared by: Barbara Frank

The House Finance Subcommittee's budget reduces the Department of Environmental Conservation's general fund request by $3,573,000 from the Governor's amended budget request.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Food Safety and Sanitation	($1,260,000)	Gen Fund Program Rcpts
	($ 218,000)	General Fund

Impact Title:
Eliminate state food and sanitation inspections.

Impact Analysis:
The House Finance Subcommittee shut down the state's public health safety net for retail food and sanitation risking food borne illnesses and resultant economic impacts to businesses and to the tourism and hospitality industries. There may be no such thing as a free lunch, but in the most advanced country in the world, we have come to take for granted that at least lunch will be free from food poisoning. The House Finance Subcommittee proposes to eliminate state oversight of all restaurants, grocery stores, food booths, school kitchens, day care centers, tattoo parlors, and public accommodations.

The justification is that communities ought to do this rather than the state government. Right now, only Anchorage provides most of these services. The House Finance Subcommittee action does not compel other communities to provide these services. Each community must make a choice. For small communities with limited facilities, this will be an expensive choice. For example, Tenakee Springs has 4 of these facilities, Pelican - 8, Prince of Wales Island, - 15, Gulkana - 1, Delta Junction – 60, Tok – 71, all of the Haines Borough has just 75. Many of these are seasonal. Services provided by the state have an economy of scale, and ensure that Alaskans and our visitors are not faced with unnecessary public health risks in any Alaskan community.

The House Finance Subcommittee elimination of these programs jeopardizes public health and our economy.

Oversight of commercially available food is a core governmental function done to protect public health – and is something that Alaska has done since before statehood.

We work with owners and operators to prevent food borne illnesses and investigate complaints. Confirming a business is not the source of an illness can be just as important as confirming that it is. The National Restaurant Association estimates that the average foodborne illness outbreak costs the owner of the establishment $75,000.

Whether the state or local governments should oversee retail food safety and sanitation of public facilities is a legitimate public policy debate. But the debate and the decision need to happen before these essential services are simply eliminated.

The path that's being proposed is to eliminate the program and hope that all communities statewide will step up to the plate to provide oversight. Unless and until they do, you'll need to think twice when you or your visitors dine out, buy prepared foods, have your kids eat the school lunch, or jump in your community's public pool. Right now, we take the safety of these places for granted. And if you live in Anchorage, you'll be able to keep that confidence. The rest of us will be on our own.

These are the facilities, offices and immediate jobs throughout the state that will be affected:

Type of Facility		**Number of facilities**
Food Facilities:		
Restaurants (food services)		2992
Food markets (grocery stores)		769
School kitchens		380
Temporary food service (fairs, etc.)		500
	Total	4641
Public Facilities:		
Cosmetology		403
Pre-schools		154
Schools		529
Child care and adult residential care		285
Pools, spas		109
Washeterias		100
Public toilets, showers, laundries		106
Overnight accommodations		2607
	Total	4293

Retail Food and Sanitation Staff Eliminated, Offices Closed, No Other Programs are at these Locations

Kodiak - loss of 1 position
Nome - loss of 1 position

Retail Food and Sanitation Staff Eliminated, Offices Remain Open, Other Programs are at these Locations

Fairbanks - loss of 6 positions
Valdez - loss of 1 position
Palmer - loss of 2 positions

Retail Food and Sanitation Staff Reduced, Offices Remain Open

Soldotna - loss of 2 positions Anchorage - loss of 4 positions
Ketchikan - loss of 1 position
Juneau – loss of 1 position

Statutes will need to be repealed and amended. Repeal: AS 44.46.020(5); AS 17.20.140 – 155; AS 18.35.010 – 230; AS 18.35.330(d), 340, 341(b), 343 and 350. Amend: AS 08.13 to delete any references to DEC; AS 14.37.040(8) to delete reference to "environmental health"; and AS 17.20.005 to add an exclusion for retail food. AS 44.46.025(a)(1) to remove reference to "drugs and cosmetics under AS 17.20" and "public accommodations and facilities under AS 18.35.

Missions and measures to be revised as a result of this budget include the percent change in critical violations affecting food safety and the percentage facilities inspected according to a risk based inspection frequency.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Oil Safety and Development Initiative		
Water Quality	($907,000)	General Fund
Water Quality	($ 36,800)	Gen Fund Program Rcpts
Industrial Preparedness	($451,200)	General Fund
Prevention and Emergency Response	($244,000)	General Fund
Statewide Public Services	($125,000)	General Fund

Impact Title:
Failed to fully fund oil safety and development initiative to promote responsible development of Alaska’s oil and gas resources.

Impact Analysis:
The House Subcommittee funded only the air quality portion of the initiative. Protection of water quality, spill response, and contingency planning and a full time presence on the North Slope were not funded. Failure to fund this initiative continues to fuel the public perception that the state is not adequately funded to oversee current oil development, much less anticipated growth or the opening of ANWR.

The House Subcommittee did not fund pre-application, pro-active assistance to facilitate future permits and plan approvals. It did not fund staff to handle the significantly increased drilling and leasing activity, and as a result, water quality discharge permits and contingency plan reviews will take longer. It did not fund an increase in the number of drills of response plans; increased field responses to releases; ambient environmental condition water quality monitoring to show the effectiveness of permits and to expedite the issuance of new permits and permit renewals; or an increase in the number of water discharge inspections.

Program:	Dollar Amount(s):	Fund Source(s):
Children's Environmental Health Initiative		
Environmental Health Director	($175,000)	General Fund

Impact Title:
Failed to fund children's environmental health initiative to address the fact that nearly one in twenty children has a developmental disability resulting from environmental exposures.

Impact Analysis:
The House Subcommittee did not fund the children's environmental health initiative. Children's environmental health is better addressed through education and outreach, than by attempting to regulate every aspect of our lives. For example, we can't (and don't want to) regulate indoor air or mercury-based thermometers, but we can inform people about risks and ways to protect themselves. Parents and schools want to protect their children – we can give them the tools to do so. Regulations and restrictions aren't the answer; education is. The House Subcommittee failed to provide any funding for this educational effort.

What are some examples of environmental health concerns?

- Burning of waste such as burn barrels.
- Pollen, dusts and mold spores.
- Vehicle emissions, such as school buses and delivery trucks idling.
- Unsanitary debris, dumpsters, or building exhausts near outdoor air intakes.
- Equipment and structural sources, such as mold growth in drip pans, duct-work, coils, and humidifiers, improper venting of combustion products, dust or debris in duct-work, emissions from shops, labs, cleaning processes, dry traps that allow the passage of sewer gas, and damaged asbestos.
- Furnishings, such as emissions from new plastic or composite wood furniture, and floorings and water-damaged materials.
- Mercury in thermometers, fluorescent lights, maze toys, and art supplies can cause impaired brain development.
- Pesticides are linked to reproductive and developmental disorders.
- Contaminated sites on school grounds frequently expose children to benzene, which is associated with cancer, and PCB's which are correlated with impaired intellectual and hormonal development.
- Unsafe drinking water is a potential pathway for contaminants and communicable diseases.
- Exposure to sewage – especially in rural villages with sewage lagoons – can be a source for communicable diseases.
- Improper food handling and sanitation exposes children to salmonella, E. coli, botulism, and other food-borne diseases.

Department of Fish and Game
Impact Statements in Response to
House Budget Proposals
Date: March 20, 2002
Prepared by: Frank Rue

The House budget reduces the Department of Fish and Game's general fund request by $2,242,500 from the Governor's amended budget request. The House passed an amendment to restore $1,000,000 to the Division of Subsistence using Alaska Industrial Development & Export Authority (AIDEA) receipts.

Program:	Dollar Amount(s):	Fund Source(s):
Division of Subsistence	($1,148,100)	General Fund
	$1,000,000	AIDEA Receipts

Impact Title: Subsistence reduction.

Impact Analysis: The House proposal to cut $1,148.1 from the Division of Subsistence eliminates all general funds for the division. This cut was partially offset by a floor amendment that restored $1 million using AIDEA receipts. It is unclear at this point whether this is a viable long-term funding source.

Subsistence is, by law, the priority use of fish and game in Alaska. The Division of Subsistence is the primary state agency charged with implementing that law and has been at the forefront of protecting the state's subsistence interests. Further erosion of the division's ability to meet its mandate invites increasing federal presence in management of the state's fish and game resources. The department's and board's ability to demonstrate the superiority of the state's subsistence management system is significantly compromised.

A net budget reduction of $148.1 is likely to result in the layoff of two staff persons with subsistence research and analysis responsibilities, thus reducing the division's ability to provide timely, credible information to the Alaska Boards of Fisheries and Game. When the best available information is incomplete or out of date there is a risk of the boards' either failing to provide adequate opportunity for subsistence or, conversely, unnecessarily restricting other uses. Board decisions made on the basis of poor data are vulnerable to litigation.

Program:	Dollar Amount(s):	Fund Source(s):
Commissioner's Office	($561,300)	General Fund

Impact Title: Unallocated reduction.

Impact Analysis: The House Finance Subcommittee's proposal to not fund year 3 contract labor costs ($495.1) and assess an additional unallocated cut ($66.2) on the department would have to result in program reductions in one of the following areas. Because of significant general fund reductions in past years, continuing to shave all programs in an effort to maintain some presence in all of them is no longer recommended.

Bering Sea/Aleutian Islands Shellfish Management Program

The general fund allocation for the Bering Sea/Aleutian Islands (BS/AI) crab program of about $741.0 supports a core staff of Area Management Biologists, Assistant Area Biologists, Program Technicians, a Crab Fishery Observer Coordinator plus a core research staff and various seasonal biologist/technician positions utilized to sample catches, analyze data, and support deployment, briefing, and debriefing observers. The program is conducted primarily from the department's office in Dutch Harbor, with assistance from staff located in Kodiak.

The program manages crab fisheries in the BS/AI worth several hundred million dollars, under delegation from the federal National Marine Fisheries Service (NMFS) and the North Pacific Fishery Management Council (NPFMC) and under direction of the Alaska Board of Fisheries. The program is integral to federally funded research on BS/AI crab stocks (comprising several million dollars in federal grants to the state) and to the state's crab observer program that is supported by test fish funds (currently authorized at approximately $680.0 per year).

These crab fisheries constitute a large portion of the entire State of Alaska production of seafood. Even though much of the harvest occurs in federal rather than state waters, Alaska has managed these fisheries since statehood and has, since implementation of the Fishery Conservation and Management Act in 1976, worked in concert with federal authorities to maintain management control. While the program is heavily supported by federal grants, a core program funded directly by the state's general fund has been essential to prudent administration of these federal funds as well as to maintenance of the state's position in the management and research of these tremendously important fisheries.

A cut of $560.0 in general funds would effectively cripple this program. We would only be able to maintain one senior management biologist and assistant to provide continuity and advice. Such a small staff would not be able to actively manage these fisheries. Moreover, the loss of research and observer personnel would eliminate sources of information required for in-season and inter-annual management (e.g., harvest quota management, quota setting, by-catch monitoring, effort monitoring). Loss of general fund research and observer staff would also violate current contractual agreements with the federal granting agencies and would not allow the department to conduct observer programs mandated by the Alaska Board of Fisheries.

Commercial Fisheries Genetics Program

The total general fund allocation to the Genetics Program is $744.7. These general funds support a core staff of a Fisheries Scientist, a Biometrician, and three Geneticists. The program conducts research primarily using external, non-GF funds (currently about $815.0).

The heart of the program is the genetics laboratory. The laboratory has state of the art equipment valued at approximately $1.1 million. A cut of $560.0 in general funds would effectively eliminate the genetics program. The division would lose its ability to conduct genetic stock identification (GSI) research and evaluation. The applications are extensive and are routine in our programs to support fisheries management. These include:

- Genetics baseline and stock composition for use in Pacific Salmon Treaty (PST) fisheries;
- By-catch composition in Gulf of Alaska and Bering Sea trawl fisheries;
- High seas fisheries stock identification;
- Yukon River, Bristol Bay, Cook Inlet, and South Alaska Peninsula fisheries stock composition; and
- Genetic diversity inventories for exploited fish populations used to address a wide variety of conservation issues including addressing petitions for listing under the Endangered Species Act.

Wildlife Conservation Non-Game Programs

The Division of Wildlife Conservation receives approximately $260.0 in general funds annually. This funding satisfies a 3:1 match requirement for wildlife conservation restoration funds (WCRP) and elimination of this funding will result in the loss of $780.0 in federal funds. Specific non-game and watchable wildlife programs that will be affected by this cut include:

- Goshawk and Endangered Species Research
- Brown Bear Viewing
- Mendenhall Wetlands State Refuge
- Wolverine Creek and Pack Creek Management
- Round Island and Walrus Island Sanctuaries
- Anchorage and Northwest Alaska Raptors

Program:	Dollar Amount(s):	Fund Source(s):
Habitat and Restoration	($525,100)	General Fund

Impact Title: Eliminate critical habitat projects.

Impact Analysis: The House Finance Subcommittee's FY03 budget proposal does not fund three increments requested in the Governor's budget.

Oil Safety and Development Initiative	$222.6

In response to increased oil and gas exploration and development activity on the North Slope and in the Cook Inlet area, increased staffing is necessary to provide timely permitting and ensure fish and wildlife resources are not negatively impacted.

Establish Mat-Su Permitting and Habitat Restoration Center	$202.5

This funding would establish a habitat permitting and restoration center in the Mat-Su borough, similar to the one currently operating on the Kenai River. Based on the success of the Kenai River Center, the availability of staff to provide local technical assistance will help streamline the permitting process, develop sources of funding for and public confidence in habitat restoration techniques, and improve landowners' willingness to prevent damage or restore stream banks and fish habitat in the Mat-Su Valley.

Permit Application Review on the South Kenai Peninsula	$100.0

This funding would add an additional permitter at the Kenai River Center to specifically address explosive growth in the number of permit applications in the lower Kenai Peninsula. This will help the department to prevent additional impacts to important fisheries resources supporting the Kenai Peninsula economy.

Office of the Governor
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 8, 2002
Prepared by: Michael Nizich

The House Finance Subcommittee's budget reduces the Office of the Governor's general fund request by $1,605,600 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated reduction	(457.0)	General Fund

Impact Title: Shortfund personal services in departmental base budgets

Impact Analysis:
The House Finance Subcommittee's proposal to levy an unallocated $457,000 reduction to the Office of the Governor will reduce departmental employees by an estimated 7 full-time positions. This reduction will significantly reduce the resources available to a new governor in establishing the new administration and operations of the Governor's Office.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated reduction	(24.2)	Gen Fund Match
	(243.4)	General Fund

Impact Title: Lack of Funding for Year 3 Labor Costs

Impact Analysis:
Assessing a reduction equivalent to the Year 3 Labor Costs will force vacant at least 3 departmental positions. This will further impede the new administration.

Program:	Dollar Amount(s):	Fund Source(s):
Human Rights Commission	(148.9)	General Fund

Impact Title: Delete increment for additional positions and resources to address increased service demands

Impact Analysis:
Denial of the requested increment will have an adverse effect on the businesses and individuals the Commission assists. More and more businesses have asked the

Commission for technical assistance and training to help prevent discrimination. The Commission has found that such assistance and training are the best methods for reducing discrimination complaints. Without the ability to meet the ever-increasing demand, the Commission will be forced to turn away most of these requests because of limited staff resources. Complaint filings are again on the rise. Denial of the increment will require Alaskans who file complaints and the businesses charged with discrimination to wait longer for complaint resolution.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Tribal Affairs	(390.0)	General Fund

Impact Title: Eliminate increment to establish the Office of Tribal-State Affairs.

Impact Analysis:
Denial of the requested increment will impede Executive Branch efforts to improve government-to-government relationships between the federally-recognized tribes and the state, and continue implementation of the Millennium Agreement. Funding of this request would provide sufficient resources to facilitate effective and respectful communication between tribal and state governments; assist in educational efforts to increase state employees' knowledge and appreciation of tribal cultures and governments; identify for proposed changes the statutory impediments to full coordination and cooperation between state and tribal governments; and facilitate joint state-tribal educational programs throughout the state.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Executive Office	(147.5)	General Fund

Impact Title: Delete the transfer to Executive Office of 2 full-time positions and funding from the Office of Management & Budget

Impact Analysis:
Delete the positions and funding being transferred internally to provide support for the activities of the Office of State-Tribal Affairs and implementation of the Millennium Agreement.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Governmental Coordination	(79.4)	General Fund

Impact Title: Delete increment to fund Oil & Gas Consistency Review Position

Impact Analysis:
The base level of funding provides DGC with enough personal services capacity to fulfill our required tasks under our federal grant, and to meet our management measures under state budget guidelines, nothing more. The increment is being requested to allow DGC to continue to provide an increased level of customer service in the area of oil and gas permitting. For FY2002, DGC has been able to fund this position through a one-time unbudgeted RSA. The added oil and gas project review capacity has allowed DGC to go beyond our required role as coordinator of the ACMP consistency review and provide services related to coordinating and facilitating the other permits needed for oil and gas exploration and development. Without this increment, DGC will have to eliminate this position, and return to focus almost exclusively on the consistency review process.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Elections	(80.0)	General Fund

Impact Title: Shortfund Voter Registration Elections Management System (VREMS) maintenance contract.

Impact Analysis:
The outdated VREMS system requires continuous programming and enhancements for daily data entry and election management functions. The division has identified $50,000 in the base budget for VREMS maintenance purposes, but the cost of the annual contract has increased to $130,000. Without additional funding to meet the maintenance costs, the division will not be able to upgrade broken mailing equipment, complete necessary deferred maintenance items in the Fairbanks office, replace outdated computers, and purchase 4 microfilm machines to replace outdated equipment.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Governmental Coordination	(350.0)	Federal Rcpts

Impact Title: Delete increment for increased federal funding of Alaska Coastal Management Program

Impact Analysis:
The federal FY2002 appropriations bill authorizes an additional $350,000 for Alaska's participation in the coastal nonpoint source control program. If authorization for the additional funding is omitted from the FY2003 budget, the request will be submitted to Legislative Budget & Audit for review during the interim.

Department of Health and Social Services
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Janet Clarke, Administrative Services Director

The House Finance Subcommittee's budget reduces the Department of Health and Social Services general fund request by $47,434,600 from the Governor's Amended Budget.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Commissioner's Office	($237,700)	General Funds

Impact Title: Reduce Commissioner's Office and Reduce Suicide Prevention Council

Impact Analysis:
The 43% reduction in the general fund portion of the Commissioner's Office budget will result in a reduction to the newly established 15 member Suicide Prevention Council, leaving the Department unable to fulfill all of the requirements of AS 44.29.300-360.

The Suicide Prevention Council was created by Chapter 84, SLA 2001 to develop and implement a statewide plan to enhance suicide prevention services and programs in order to reduce suicide and to increase public awareness of the severity of the suicide problem in our state, which has the highest suicide rate in the nation. While the statewide rates and numbers of suicides have remained fairly constant over the past 10 years, the number of suicides in some regions of the state has increased dramatically in the past three years. During the five-year period from 1994 to 1998, 658 suicides occurred in Alaska. The highest rate of suicide, 64 per 100,000 occurred in rural Alaska. If these funds cannot be replaced, this program and its services to the people of Alaska will be reduced or eliminated.

This General Fund reduction will also result in insufficient funds to maintain current staffing or to provide adequate match for federal funds budgeted in the Commissioner's Office component. In reducing funds to the Commissioner's Office, it will interfere with the department's mission and goal to protect the health and well being of Alaskans. It is also the responsibility of the Commissioner's Office to insure that the department's divisions meet their assigned measures. Reducing general funds will impair their ability to do so.

The reduction of general funds will reduce staff availability and time to interface with providers, provide policy direction to department staff, and work with legislative and federal entities on initiatives resulting in an overall loss of effective and efficient management of health and social services issues.

Program:	Dollar Amount(s):	Fund Source(s):
Agency-wide Unallocated Reduction	($7,192,500)	General Funds

Impact Title: Unallocated Reduction to DHSS programs

Impact Analysis:
The unallocated reduction of $7.2 million GF is in addition to the $14.6 million GF in specific program reductions throughout the department. DHSS management has not finalized the actions that would have to be taken to absorb this huge unallocated reduction without duplicating the specified cuts. However, the list below (which totals $12.5 million) includes the major options that will have to be considered to implement a reduction of this magnitude.

1. Cut Medicaid Rates by 5% for hospitals, physicians and pharmacies to save $4.7 million GF. Currently the Alaska Medicaid program pays 122% above the Alaska Medicare rate (which is 125% above the lower forty-eight rates) because of the higher costs of medical care in Alaska. This cut could impact access to services in some areas or for some types of services because some providers may leave the Medicaid program at the lower payment rates.

2. Close the Fairbanks Laboratory to save $800.0 GF. Consolidate all lab functions at the Anchorage Public Health Laboratory. This will result in more crowded conditions, which could impact worker safety. It will also result in increased response time for all lab tests.

3. Eliminate the Human Services Community Matching Grant Program to save $1.7 million. This grant program provides $1.3 million to the Municipality of Anchorage and $400.0 to the Fairbanks North Star Borough to assist these communities to support local non-profit agencies. The communities would have to increase taxes or reduce services accordingly.

4. Convert the Infant Learning Program Grants to a needs based system to save $1.0 million. This may reduce the number of children whose parents seek ILP services.

5. Change the Alcohol Safety Action Program and increase charges for those who can afford to pay to generate more revenue $500.0.

6. Eliminate the Catastrophic and Chronic Illness Assistance (CAMA) program to save $3.8 million. This would prevent over 1,200 of the poorest Alaskans from receiving treatment for terminal or chronic illnesses like seizure disorder, diabetes, chronic mental illness, or hypertension.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Temporary Assistance Program (ATAP)	($1,000,000)	General Funds

Impact Title: Shortfunds ATAP and Violates federal funding requirements

Impact Analysis:
ATAP is Alaska's version of the federal Temporary Assistance to Needy Families (TANF) program. Under the TANF federal block grant rules, states are required to maintain state spending for TANF at a level no less than 80% of state spending under AFDC in federal fiscal year 1994. This is referred to as the maintenance of effort (MOE). States failing to meet the federal MOE requirement are penalized by a dollar-for-dollar reduction in their annual federal TANF block grant and are required to replace lost federal dollars with state funds (with further penalties assessed if additional state funds are not provided). In the six years since the implementation of TANF, no state has violated the required MOE.

Alaska is currently at its MOE "floor", which is $44 million. The House proposed GF cut of $1.0 million means Alaska would lose approximately $3.0 million in federal TANF block grant funding and penalties.

To qualify as state MOE for TANF, the state GF expenditure must be made to or on behalf of a family eligible for ATAP. The majority of MOE expenditures finance ATAP cash payments, ATAP eligibility determination and benefit authorization, work services that help ATAP families into the workforce, child care for ATAP families working their way off welfare, and Native TANF program funding support.

The purpose of ATAP is to provide temporary financial assistance to poor families and to help those families off assistance, out of poverty and toward self-sufficiency through employment. Assistance payments are intended to help poor families with their basic living expenses such as rent, clothing, utilities and transportation.

Program:	Dollar Amount(s):	Fund Source(s):
General Relief Assistance (GRA)	($281,400)	General Funds

Impact Title: Shortfunds GRA formula need by 26.5%

Impact Analysis:
GRA benefit levels are established in state statute and the Department is not allowed to reduce or suspend payments without a change in law. If the FY2003 GRA initial funding level is insufficient to meet GRA formula demand, the Department would seek supplemental funding to meet actual need.

If GRA benefit reductions were allowed by law, a $281.4 cut would be approximately three months of GRA program services. The potential suspension of GRA services would have the following service impacts:

- Loss of shelter assistance for about 250 people each month putting individuals at risk of becoming homeless.
- Inability to pay for the cost of indigent burials for 34 persons each month.

General Relief Assistance is the bottom tier in Alaska's welfare system. It provides a small amount of aid on behalf of persons who are extremely poor and do not qualify for other public assistance programs and have an emergency need for food, clothing, shelter, or burial and lack other resources or financial means to meet their needs. The General Relief Assistance program pays vendors directly on behalf of eligible persons including funds for indigent burials.

Without this basic state service the cost of emergency shelter and indigent burials would fall on the communities and funeral homes of the State.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Tribal Assistance	($709,200)	General Funds

Impact Title: Shortfunds TANF Native Assistance programs and violates federal funding requirements

Impact Analysis:
NFAP is part of the federal Temporary Assistance to Needy Families (TANF) program. Under the TANF federal block grant rules, states are required to maintain state spending for TANF at a level no less than 80% of state spending under AFDC in federal fiscal year 1994. This is referred to as the maintenance of effort (MOE). The state funding for NFAP is entirely state MOE for TANF. States failing to meet the federal MOE requirement are penalized by a dollar-for-dollar reduction in their annual federal TANF block grant and are required to replace lost federal dollars with state funds. In the six years since the implementation of TANF, no state has violated the required MOE.

Alaska is currently at its MOE "floor", which is $44 million. The House proposed GF cut of $709.2 means Alaska would lose approximately $2.1 million in federal TANF block grant funding and penalties.

In 2000 the Legislature passed a bill authorizing state MOE funding for four Native Organizations with federally approved Native TANF plans. The three organizations now running Native TANF programs are Tanana Chiefs Conference, Tlingit & Haida, and the Association of Village Council Presidents. Through this component, the Department provides a fair and equitable proportion of state MOE to support the Native programs.

The 1,400 families served by the Native programs would otherwise be served through the state's ATAP program.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Public Assistance Admin	($136,400)	General Funds

Impact Title: Eliminate support for the Alaska Food Coalition

Impact Analysis:
The $100.0 GF grant to the Alaska Food Coalition would have to be eliminated.

This component's total GF-only authorization is $220.1. The House proposed cut reduces the GF allocation by 62%.

The Alaska Food Coalition is an organization of community-based private food assistance providers, food banks, churches, state agencies and other concerned partners working together to strengthen and coordinate Alaska's various food and nutrition assistance programs. The Coalition formed after the passage in 1996 of national welfare reform laws. The aim was to assure that needy Alaskans had continued access to their basic food needs. The majority of the Coalition's annual grant funding has gone to purchase food and equipment needed by local food banks to meet the demand.

An important aspect of the coalition has been the growing coordination and greater communication between public and private hunger prevention organizations. The efforts of the group, supported by this modest grant, have directly and positively impacted the hunger problem in Alaska.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Public Assistance Field Services	($735,800)	General Funds

Impact Title: Cut caseworkers managing 7,000 Public Assistance cases

Impact Analysis:
This budget cut would eliminate funding for twenty-six existing positions that collectively manage an average caseload of 7,046 public assistance program cases. The Division has not requested GF increments for its central office or field office components in many years, but instead has absorbed GF reductions of over $1.0 million. The proposed cuts affect existing positions and will increase worker caseloads to an unmanageable size when demands on staff are greater than ever.

The programmatic impacts of staff reductions would truly be severe. Some DPA offices would lose their ability to carry out their mission of providing timely, accurate formula program benefits and reducing welfare dependency. Higher benefit payment error rates would result in federal fiscal sanctions that could exceed $1.0 million.

ATAP, Alaska's version of the federal Temporary Assistance to Needy Families (TANF) program, would have an impact. Alaska is currently at its maintenance of effort "floor", which is $44 million. Of the House proposed GF cut to Field Services, $191.0 would be borne by ATAP, which would mean an additional loss of approximately $573.0 in federal TANF block grant funding and penalties.

Of the total $735.8 GF reduction, the proportion resulting in reduced Food Stamp and Medicaid GF Match funding would result in roughly $457.2 in lost federal match participation. The total financial impact to this component would be $1,193.0.

The Public Assistance Field Services component provides basic eligibility services for ATAP, Food Stamps, Medicaid, Adult Public Assistance (APA) and General Relief from 17 locations statewide. Eligibility workers and clerical support review applications, verify information, assess the household's needs, explore personal and community resources available to met those needs, make referrals, determine initial and ongoing eligibility, authorize benefits and deliver services. For ATAP and Food Stamp households subject to work activities, the staff performs case management functions focused on moving families to self-sufficiency. Any general fund reduction will impact services.

Program:	Dollar Amount(s):	Fund Source(s):
Work Services	($303,300)	General Funds

Impact Title: Cut Work Services, violating federal TANF requirements

Impact Analysis:
Work Services is the welfare-to-work component of ATAP, Alaska's version of the federal TANF program. Alaska is currently at its maintenance of effort "floor", which is $44 million. The House proposed GF cut of $303.3 in Work Services means Alaska would lose approximately $910.0 in federal TANF block grant funding and penalties.

With the Temporary Assistance program focus on moving welfare recipients into the workforce, there is greater need to help individuals with low skills, a lack of work history and other barriers to work. The services intended to help recipients into the workforce is referred to as Work Services, which includes assistance in job readiness, job search, case management, job retention and advancement, basic education, training, and transportation to work. Community-based grantees and contractors deliver a majority of the Work Services. In FY02, over 25 different grants or contracts were issued to community organizations to assist recipients move from welfare to work.

Program:	Dollar Amount(s):	Fund Source(s):
Child Care Benefits	($100,000)	General Funds

Impact Title: Shortfund the Alaska Temporary Assistance Program (ATAP) Child Care and violate federal funding requirements.

Impact Analysis:
Child Care is a critical component of ATAP, Alaska's version of the federal Temporary Assistance to Needy Families (TANF) program. The House proposed GF cut of $100.0 in Child Care means Alaska would lose approximately $300.0 in federal TANF block grant funding and penalties.

Providing access to childcare is a key component in the state's efforts to move parents into full-time jobs and self-sufficiency. The TANF block grant and state MOE provide child care subsidies for ATAP families that are working. Without these subsidies it would be impossible for most ATAP parents to stay in the workforce and move off welfare.

Program:	Dollar Amount(s):	Fund Source(s):
Public Assistance Data Processing	($141,500)	General Funds

Impact Title: Cut basic Data Processing

Impact Analysis:
This budget cut eliminates four existing positions that help maintain the Division of Public Assistance Eligibility Information System (EIS). The House budget proposal to cut $141.5 GF would result in an additional $88.9 in lost federal match participation. The total financial impact would be $230.4.

Supporting this system is vital. Nearly every facet of public assistance daily operations has some connection to EIS. The long-term impact will be the degradation in services and computer systems, which will impact the ability for field and administrative staff to perform their work in a timely and efficient manner.

Of the House proposed GF cut to Data Processing, $36.8 would be borne by ATAP, which would mean an additional loss of approximately $110.4 in federal TANF block grant funding and penalties.

Public Assistance workers in 14 communities rely upon the EIS and its computer network for determining eligibility for ATAP, Medicaid, Food Stamps, Adult Public Assistance, Denali KidCare, and General Relief Assistance, as well as welfare-to-work case management. EIS supports the management and issuance of cash, food and medical assistance benefits, childcare for ATAP recipients and supportive service for working clients.

Each month over 85,000 welfare recipients depend on the successful operation of the EIS system for timely issuance of their assistance benefits.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Quality Control	($95,200)	General Funds

Impact Title: Cuts Quality Control reviews by 20%

Impact Analysis:
The House Finance Subcommittee's proposed $95.2 GF budget cut, translates into approximately $200.0 when included with the lost federal matching funds.

We currently have three Quality Control (QC) office sites: Fairbanks, Anchorage, and Juneau. Because the Food Stamp federal QC rules require that selected households must have an interview in the client's home, closure of one of the sites is not practical. Any cost savings in lease overhead would be lost in transportation costs to meet the federal Food Stamp home-visit requirement. The only real alternative in response to this budget cut would be to eliminate three existing Quality Control field positions, a 20% reduction in QC staff.

Quality Control is a federally mandated activity for the Food Stamp and Medicaid programs. The purpose is to gather information designed to measure the extent to which the state meets accountability outcomes, such as the accuracy rate in Food Stamps and Medicaid. These federally mandated case reviews cannot be dropped without losing federal funds to pay Medicaid and Food Stamp program benefits.

If the budget is reduced by the equivalent of 3 field positions, then the remaining positions would only review Food Stamp and Medicaid program benefits, with Food Stamp benefits as the first priority because the current penalty risks for being non-compliant with the Food Stamp federal regulations are higher. Review work on all other program activity including ATAP and Child Care payments for accuracy would be impossible, as would any other ad hoc projects that would gather data or evaluate performance.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Fraud Investigation	($40,300)	General Funds

Impact Title: Cuts Fraud Investigations

Impact Analysis:
The full impact of the House Finance Subcommittee's proposed cut of $40.3 GF to the Fraud Control budget is $80.6 in federal and state allocations. This budget action will eliminate at least one existing full time position. The Division of Public Assistance Fraud Control effort is an essential element of caseload control and benefit cost savings. Fraud investigation and prosecution help limit the occurrence of fraudulent behavior by welfare recipients and increase the recovery of welfare overpayments.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Medicaid Services	($4,590,700)	General Funds

Impact Title: Shortfund Medicaid Services

Impact Analysis:
The House Finance Subcommittee's proposal to reduce Medicaid Services by $4,590,700 in general funds reduces the ability of Medicaid to provide services to those in need by $10,944,200 at the current FY03 projected Federal Medical Assistance Percentage. At an average cost of $667 per month per person, this cut in general fund dollars plus the associated match in federal funds could provide medical services for more than 1,367 Alaskans for an entire year.

The Division of Medical Assistance will respond to the loss of these funds with increased utilization controls, increased provider audits, and restricted access to waivers services for new clients, i.e. an increasing number of clients on the waiting list for waivers services.

The Legislature has determined the number of participating providers and access to health care for Alaskans to be a measure of accountability for the Division of Medical Assistance. Providers are under no obligation to provide services to clients who are Medicaid eligible. Each funding cut puts provider participation at risk, and in turn, health care access for each Alaskan eligible for Medicaid coverage is put at risk.

The House Finance Subcommittee also approved legislative intent directing the Department of Health and Social Services to cut optional services if cost containment is not successful.

The following chart shows the services that would likely be eliminated if cost containment efforts were not implemented and the Medicaid options list was used to offset this reduction. By statute, services must be eliminated starting with priority 1 and moving down the list.

Priority	Type of Service	FY03 GF Estimate	FY03 Total Estimate	FY03 Cumulative Estimate
1	Clinical Social Workers Services	$0	$0	$0
2	Psychologists Services	$0	$0	$0
3	Chiropractic Services	$0	$0	$0
4	Advanced Nurse Practitioner Services	$0	$0	$0
5	Adult Dental Services	$813,245	$2,298,952	$2,298,952
6	Emergency Hospital Services	$0	$0	$2,298,952
7	Midwife Services	$118,701	$335,553	$2,634,506
8	Treatment of Speech, Hearing, and Language Disorders	$440,738	$1,245,918	$3,880,424
9	Optometrists Services and Eyeglasses	$543,585	$1,536,653	$5,417,077
10	Occupational Therapy	$193,778	$547,788	$5,964,865
11	Mammography Screening	$16,144	$45,638	$6,010,503
12	Prosthetic Devices	$119,144	$336,807	$6,347,310
13	Medical Supplies and Equipment	$1,227,113	$3,468,911	$9,816,221
14	Targeted Case Management Srvs	$0	$0	$9,816,221
15	Rehabilitative Services for Substance Abusers and Emotionally Disturbed or Chronically Mentally Ill Adults	$1,199,883	$3,391,933	$13,208,154
	GF SUBTOTAL	$4,672,332		
16	Clinic Services	$20,347,761	$57,520,822	$70,728,976
17	Physical Therapy	$439,538	$1,242,525	$71,971,501
18	Personal Care Services in a Recipient's Home	$2,991,694	$8,457,181	$80,428,682
19	Prescribed Drugs	$13,237,374	$37,420,563	$117,849,245
20	Hospice Care	$3,587	$10,139	$117,859,384
21	Long-Term Care Noninstitutional Srvcs	$26,559,535	$75,080,806	$192,940,189
22	Inpatient Psychiatric Facility Services	$6,626,395	$18,732,069	$211,672,259
23	Intermediate Care Facility Services for the Mentally Retarded	$0	$0	$211,672,259
24	Intermediate Care Facility Services	$0	$0	$211,672,259

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Catastrophic and Chronic Illness Assistance	($200,000)	General Funds

Impact Title: Shortfund the Catastrophic and Chronic Illness Assistance program

Impact Analysis:
The House Finance Subcommittee's proposal to reduce the Chronic and Acute Medical Assistance program (CAMA) by $200,000 in general funds will limit the state’s ability to provide medical care to our most needy citizens. (As noted above, the additional $7.2 million unallocated cut could require eliminating the program entirely.) CAMA provides

a very limited package of health services to extremely needy persons with a terminal illness or one of four chronic illnesses: diabetes, seizure disorder, chronic mental illness, or hypertension. Each recipient must be unable to receive any other assistance – private or public.

Medical services provided under CAMA are limited to necessary, life-saving prescription drugs, a limited number of physician visits, and required hospital care for no more than eight days per year. In FY01, 1,288 Alaskans were in a position of need that qualified them to receive assistance under the CAMA program.

In addition to the hardship placed on those individuals who would no longer be able to receive assistance, hospitals and doctors would be forced to absorb 100 percent of the cost of providing these necessary services for those who are no longer able to receive assistance under the CAMA program.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Medical Assistance Administration	(145,800)	General Funds

Impact Title: Reduce efforts to increase the federal share of Medicaid

Impact Analysis:
Alaska's Medicaid program directly impacts the service delivery of every division within the Department of Health and Social Services, as well as divisions in four other departments within the state system. There are six sources of federal funding that branch into a kaleidoscope of varying federal participation rates, allotments, and reimbursements, each with their own federal and state regulatory process.

The division's cost for administering the Medicaid and CAMA programs equaled only 3.3% of the total dollars paid for those medical care services, compared to a national average of over 4%. While the efforts to save general fund dollars have been extensive, services provided to a growing number of eligible Alaskans have been maintained, and in some instances increased. This is directly attributable to an aggressive effort to develop and sustain effective business management practices for the state's health care delivery system.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Medicaid State Programs	(12,000)	General Funds

Impact Title: Reduce training and technical assistance

Impact Analysis:
Services lost or reduced due to loss of general funds to match federal Medicaid dollars include feasibility studies for client outreach and education, and training and technical assistance for public health nurses statewide.

Program:	Dollar Amount(s):	Fund Source(s):
Health Purchasing Group	(225,700)	General Funds

Impact Title: Reduce surveillance and utilization reviews and efforts to recover provider overpayments.

Impact Analysis:
Any reduction will erode the capability to identify potential fraud and abuse, assure timely and accurate provider claims, to pursue third party recoveries, and to identify potential fraud and abuse and make appropriate referrals for investigation.

A decrease in claims reviews will compromise efforts to consistently evaluate/audit claims for new visit frequency, intensity of service, diagnosis to procedure comparison, and multiple component/duplicative component conditions. The inability to effectively screen for and identify procedures or services during claims processing that exceed clinical/coding guidelines, and to compare their appropriateness of care against national profiles, automatically generates a reduction or denial against the claim line. Such actions, when determined to be made in error as a result of reporting service delivery incorrectly, will erode provider participation and potentially remove an opportunity to initiate corrective action to eliminate (or significantly curtail) unnecessary service provision.

Efforts to identify and target those provider types experiencing claims filing problems through outreach and more accessible education/training have reduced the time and effort to process provider reimbursement claims, and strengthened provider participation in the Medicaid program.

Program:	Dollar Amount(s):	Fund Source(s):
Health Facilities Licensing and Certification	(41,800)	General Funds

Impact Title: Reduce the number of complaint investigations

Impact Analysis:
The federal government has established minimum standards for providers who wish to participate in the Medicare or Medicaid programs.

Over the past three years mandates from Centers for Medicare and Medicaid Services (CMS) have increased the requirement for oversight of Long Term Care (LTC) facilities.

The result has been a significant increase in the number and seriousness of complaint investigations and reports of harm, including resident-to-resident abuse, which now requires on-site investigation. The increase in complaints and reports of harm are reflected in the graph below:

Complaints have increased 40%, from 50 to 70 since 1998 and reports of harm (ROH) have increased 1126%, from 19 to 233 in the same timeframe. Reports of harm are now evaluated using the same criteria as complaints. Many ROHs also become complaints and must be investigated. All resident-to-resident instances require onsite review.

Centers for Medicare and Medicaid Services (CMS) can potentially impose penalties by withholding Medicaid funding if HFL&C does not meet the mandated timelines for surveys and reports.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Family Preservation	(427,500)	General Funds

Impact Title: Cut Family Preservation Programs

Impact Analysis:

Family Preservation Base Reduction	(167,900)	General Funds
Family Visitation Centers Increment	(750,000)	General Funds
Early Intervention for Family Support Increment	(975,000)	General Funds
Designated BRUs - Transfer	1,465,400	General Funds

The proposal to cut $167.9 in general funds from the Family Preservation base budget will reduce Family Preservation grants designed to help children and families at risk or in-crisis. This reduction may impact family preservation services, child protective services day care, intensive pre-placement services, follow-up care for families, and services to increase parenting abilities. Time Limited Family Reunification grant services that may be decreased involve safe and timely family reunification, supervised visitation, and parent support groups.

Short funding support services would hamper the division's efforts to safely maintain the child in their own home. When removal of the child is necessary, decreased services would delay reunification when the issues that brought them to the division's attention are not resolved timely. Failure to provide family support and substance abuse and mental health treatment services would significantly affect the success of the intervention process. Delayed intervention and diminished support services would not be as effective and would undermine the division's efforts to preserve the family unit and insure the safety of the child in the home. The reduction in this component may result in the removal of the child from the family home for placement in foster care. Further, it can produce longer stays in foster care, possible multiple foster care placements, and an increase in foster care costs.

A decrease in Child Protective Services day care services may lessen support to parents who are at risk of abusing or neglecting their children due to the stresses of child care responsibility.

This reduction would also impact the Maniilaq, Norton Sound, Kawerak, and Tlingit-Haida social services grants. These grantees furnish critical support services to children and families under grant agreements with the department. Short funding these grants would force the workload to be assigned to the division's Front Line Social Workers. This would increase social worker caseloads at a time when current caseloads already exceed the national standard of 15 cases per worker.

The proposed reduction in this program would negatively affect several of the division's performance measures and more importantly the children the division is responsible for protecting. Specifically, the division would look for the number of children in state custody longer than 18 and 36 months to increase due to reduced family support services. Reduced services could preclude families from successfully meeting the treatment and case goals that would lead to the release of children from custody.

Additionally, the length of time in state custody before achieving reunification would increase due to the reduction in vital services such as follow-up care and supervised visitation that allow the child to return to the family home.

Not funding the division's Family Visitation Center $750.0 increment will eliminate the proposed visitation centers in Anchorage, Fairbanks, MatSu, Kenai, Juneau, and Bethel. A lack of supervised visitation places children at greater risk of harm, and fails to maintain or foster the relationship of parent and child. This may lead to longer involvement with the family on the division's part, failed reunification efforts, fewer family visits, and a less secure attachment between parent and child.

Not funding the $975.0 Early Intervention for Family Support increment will eliminate the Early Intervention program expansion planned for the Fairbanks, Bethel, and Kenai areas. This program would enable the division to refer low risk reports of harm to a community-based non-profit social services agency. Due to caseload levels, the high number of reports of harms, and the shortage of trained workers, the division would not be able to investigate each report of harm. This would force workers to workload adjust low risk reports that they were unable to investigate. As mentioned in the Front Line Social Worker component, the elimination of Dual track would greatly exacerbate this situation.

Program:	Dollar Amount(s):	Fund Source(s):
Foster Care Base Rate	(1,286,000)	General Funds

Impact Title: Shortfund Foster Care Base Rate and Deny Daily Rate Increase

Impact Analysis:

Foster Care Base Rate Component Base Reduction	(375,500)	General Funds
Foster Care Daily Rate Increase Increment	(909,500)	General Funds

The proposal to cut $375.5 from the Foster Care Base Rate budget would force the division to reduce the daily rate paid to foster parents for the care of approximately 1,100 children each month. The Foster Care Base Rate program is designed to reimburse foster parents for the basic ongoing costs of raising a child as authorized by AS.47.14. The current foster care payment is based on 1993 federal poverty guideline and does not reflect the overall cost of living increase of 23.45% that has occurred since that time. The current average payment of $22.34 per day would have to be cut by $1.12 to $21.22 per day.

A reduction in the daily foster care rate may impose a hardship on existing foster parents and result in the loss of foster care homes. The potential loss of care givers would impact the safety and security of children in State custody, and the State's ability to provide stable temporary homes for children who have suffered abuse and neglect. The proposed reduction of 5% may also diminish the division's ability to recruit foster parents and force the division to place children in more expensive facilities such as residential care facilities.

Not funding the entire Foster Care Daily Rate Increase increment of $1,258.5 will require the division to continue to pay foster care benefits based on the 1993 poverty guideline; a rate that does not reflect the 23.45% cost of living increase that has occurred since it was established. Without the daily rate increase, the division may lose trained, experienced foster care providers who feel the current rate of reimbursement is inadequate to meet the basic needs of the foster child.

Program:	Dollar Amount(s):	Fund Source(s):
Foster Care Augmented Rate	(173,900)	General Funds

Impact Title: Shortfund Foster Care for Children with Special Needs

Impact Analysis:

Foster Care Augmented Rate Component	(110,900)	General Funds

Foster Care Augmented Rate Caseload Underfunding Increment	(63,000)	General Funds

The proposal to cut $110.9 or 5% from the current budget level and not fund the anticipated caseload increase for the next year will prevent an estimated 24 foster children from receiving augmented benefits each month. The Augmented Foster Care program or difficulty of care program, reimburses foster care providers for extraordinary costs and for higher levels of supervision authorized by AS 47.14.100 that are not covered by the Foster Care Base Rate program. When children enter foster care with a higher level of disturbance, foster parents are required to access a higher level of services to meet their needs (i.e., physical and/or psychological therapy, supervised visits with family members, individual education plans, tutoring). The proposed reduction would diminish the department's ability to meet its obligation to reimburse foster parents and would impose a hardship on existing foster care providers.

There is already a shortage of foster parents. An inability to reimburse foster care providers for services rendered will seriously erode any success that the Department has made during the last two years to recruit and retain foster parents. This could result in the Department not having enough foster parents to care for the children committed to State custody. This may force placement of children in more expensive facilities such as Residential Care Facilities. The potential loss of providers would impact the safety and security of children in State custody and the State's ability to provide stable temporary homes until children are returned to their family or until a permanent placement is found.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Foster Care Special Needs	(728,200)	General Funds

Impact Title: Shortfund Foster Care Special Needs

Impact Analysis:

Foster Care Special Needs Component	(132,900)	General Funds
Foster Care Special Needs Caseload Underfunding Increment	(595,300)	General Funds

The proposal to reduce $132.9 or 5% from the current budget level and not fund the anticipated caseload increase means DFYS will not be able to provide special needs benefits to approximately 57 children placed in foster care. Based upon this potential reduction, the division projects that it will completely exhaust funds and will not be able to provide services to theses children. Foster Care Special Needs funds reimburse foster care providers for one-time or short-term approved expenses authorized by AS 47.14.100 that are not covered by the Foster Care Base Rate.

The proposed reduction will reduce the ability of the division to reimburse foster parents and provide critical services. An inability on the division's part to cover special needs costs would place additional burdens on foster parents and may result in the loss of foster homes. The potential loss of foster homes would impact the safety and security of children in State custody and the State's ability to provide stable temporary homes until children are returned to their family or until a permanent placement is found.

In recent years, children placed in foster care have more complex needs and issues, and foster parents are often required to have a greater level of specialized knowledge. Short funding this program would further diminish the department's ability to recruit and retain new foster parents who can provide the care needed to meet the individual behaviors and specific needs of these children.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Foster Care Alaska Youth Initiative	(28,000)	General Funds

Impact Title: Foster Care Alaska Youth Initiative Base Reduction

Impact Analysis:
The proposal will prevent the division from providing AYI benefits to approximately 4 children placed in this program. The Foster Care AYI program provides individualized community-based wraparound services to children who have such severe needs that a highly intensive program is necessary to maintain the child in their community. These children are at risk of out-of-home placement away from their communities or may be returning to their communities from an out-of-home placement.

The proposed reduction will reduce wrap-around support services that are designed to impact every aspect of the child's life. A reduction in this component could impact services that are critical to the child's successful treatment such as therapeutic foster care, respite care, in-school support services, comprehensive mental health services, and intensive case management services. Short funding these services could also reduce the placement options for children and youth that require less structure than institutional care. The division may see an increase in institutional care placement if these services are limited.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Subsidized Adoption & Guardianship	(3,451,200)	General Funds

Impact Title: Shortfund Subsidized Adoption & Guardianship

Impact Analysis:

Subsidized Adoption & Guardianship	(405,400)	General Funds

Base Reduction

Subsidized Adoption & Guardianship Growth Increment	(3,045,800)	General Funds

The proposal to cut $405.4 from the Subsidized Adoption & Guardianship budget level and not fund the 14% anticipated caseload increase for next year will force the division to seek a supplemental appropriation to fulfill its obligation to subsidize approximately 1,700 guardianship and adoptions. This is due in part because the FY02 program needs a supplemental of $2.5 million. From FY1992 to FY2001 the number of children transitioned from the foster care system into a permanent home increased 348%, from 338 to 1,515. The division anticipates that the number of children in the subsidy program will reach 1,784 by the end of FY2002.

By law, the division must comply with the terms of the subsidy agreements, and is unable to eliminate or reduce the subsidy contract. The Subsidized Adoption & Guardianship program is an adoption and guardianship incentive program for children with special needs. Subsidized adoption is a way to establish permanent homes through adoption for children who are hard to place, who are in the permanent custody of the State, and who are unlikely to be adopted without a subsidy. AS 13.26.062 and AS 25.23.190 — 25.23.240 provide the department with statutory authority and guidelines to administer the program. Placement must also be accomplished within the shortened time frames mandated by State and Federal law, including Alaska's HB375 and the Federal Adoption and Safe Families Act of 1998.

Short funding this program would potentially subject the State to legal action for breach of contract, as the State would no longer be in compliance with State and Federal laws if subsidy payments are not processed. The lack of full funding will create the need for a supplemental appropriation. The proposed reduction may further result in children subjected to long-term foster care placement, possibly in multiple foster homes, at an increased cost to the State.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Residential Child Care	(666,600)	General Funds

Impact Title: Shortfund Residential Care Program

Impact Analysis:

Residential Care Base Reduction	(616,600)	General Funds
Mental Health Stabilization Homes Increment	(50,000)	General Funds

The proposed reduction of $616.6 from the Residential Care budget will result in approximately 22 fewer residential care beds purchased to treat children and youth. The reduced number of beds is approximately 8.3% of the 266 bed capacity. Children in residential care facilities often present severe and complex problems such as sexual abuse, sexually aggressive behavior, substance abuse, severe emotional disorders, delinquent behavior, and other dysfunctional behavior. These children have complicated issues, frequently fail in foster homes, and require specialized professional treatment and 24-hour adult care. The proposed reduction would reduce the number of beds and services available to these children in emergency shelters, group home care, intensive residential treatment centers, and diagnostic treatment centers.

The reduction in funding and the associated reduction in treatment beds may prevent youth that need residential care beds from meeting treatment goals. This may increase the number of abused children who commit delinquent acts and consequently increase the number of youth in the juvenile justice system. For the population of children who are adjudicated delinquent, the inability to meet treatment objectives may result in long-term correction center placement.

The reduction of funds for residential care beds could lead to the closure of small residential facilities who are unable to remain open when the incoming revenue is not sufficient to cover the minimum operating costs.

Not funding the entire Mental Health Stabilization Home $650.0 increment may eliminate the short-term option that was to serve as a step-down program from acute hospital care or secure residential psychiatric treatment care. It may also eliminate the availability an interim placement for severely disturbed youth that are difficult to place. Lack of this home will decrease the options available to families and providers to develop a safe and appropriate placement.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Court Order Reunification Efforts	(25,000)	General Funds

Impact Title: Cut Support for Keeping Children in Their Own Homes

Impact Analysis:
The proposal to cut $25.0 in general funds of the Court Orders and Reunification Efforts base budget would reduce critical support services that reinforce the division’s efforts to maintain the child in their own home. Federal foster care regulations and State law require the division to make reasonable efforts to prevent out-of-home placements and to reunify families in a timely manner. Short funding this component would reduce services vital to this objective such as substance abuse treatment, assistance to address domestic violence, in-home services, and special education. Services that focus on permanency would be impacted by this proposed reduction and hamper the division’s efforts to meet its mandated requirements.

Program:	Dollar Amount(s):	Fund Source(s):
Front Line Social Worker	(2,003,500)	General Funds

Impact Title: Eliminate Front Line Social Workers and Deny Progress Toward Zero Tolerance

Impact Analysis:

Front Line Social Workers Component Base Reduction	(977,500)	General Funds
Transcription Services Increment	(450,000)	General Funds
Mental Health Clinicians in Licensing Units Increment	(86,000)	General Funds
Anchorage & Mat-Su Lease Increment	(440,000)	General Funds
Relative Navigators Increment	(50,000)	General Funds

The proposed reduction of $977.5 in general funds from the Front Line Social Worker base budget may result in the lay off of approximately 18 social worker positions statewide. The lay offs will impact Anchorage, Fairbanks, Palmer, Delta, Kodiak, Ft. Yukon, Haines, Wrangell, Petersburg, and Sitka field offices. These positions deliver direct services to abused and neglected children and their families. The reduction will impact critical activities the workers perform such as investigation of reports of harm, crisis intervention, case planning, legal action to protect children, and other services that support children and their families.

The proposed budget reduction will also result in the elimination of the Dual Track project in the Mat-Su area. Under the Dual Track, the DFYS grantee provides services to clients determined as low risk cases (priority 3). Currently, with this project, DFYS is able to respond to 100% of legitimate reports of harm in the Mat-Su area.

The elimination of approximately 32 social workers would increase the remaining social workers' caseloads by 5 cases. This would occur at a time when social workers have already filed a class action grievance based on high caseloads. In Anchorage, workers would manage caseloads of approximately 33 cases; more than double the national standard of 15 cases.

An increase in caseload would not enable social workers to investigate reports of harm timely, could increase the risk of harm to children, would force children to remain in foster care longer, and would increase foster care costs. Further, the division estimates that 9 to 13 percent fewer legitimate reports of harm would be investigated with the loss of these 18 positions. When combined with the 6 to 9 percent reduction in reports of harm investigated due to the potential loss of approximately 14 social worker positions in the Adoption Placement Program component, legitimate reports of harm investigated could decrease by 15 to 22 percent.

Another impact on social worker's caseload and legitimate reports of harm investigated is the unfunded Early Intervention for Family Support increment cited for the Fairbanks, Bethel, and Kenai areas. This program would enable the division to refer low risk reports of harm to a community-based non-profit social services agency. Due to high caseload levels, the number of reports of harms, and the shortage of trained workers, the division would not be able to investigate each report of harm. This would force workers to workload adjust low risk reports that they were unable to investigate.

The proposed reduction in this program would negatively affect several of the division's performance measures and more importantly the children the division is responsible for protecting. Specifically, the average social worker's caseload would increase dramatically, as the remaining social workers strive to incorporate the caseloads previously managed by the eliminated social worker positions. This in turn would negatively affect the turnover rate by staff performance measure as increased job pressures may lead workers to seek other employment.

With fewer social workers and higher staff turnover, the division anticipates that the percentage of legitimate reports of harm that are investigated would decrease. Workers would have less time to allot for investigations. The division would also look for the number of children in state custody longer than 18 and 36 months to increase as social workers are critical to the treatment goals, case planning, and case management that releases children from state custody. Additionally, the length of time in state custody before achieving adoption and reunification would increase due to the elimination of staff and essential resources.

Not funding the $450.0 increment to continue Transcription Services will reduce the use of the telephone transcription service that enables workers to efficiency maintain current, accurate case files without the need for increased clerical support. Without transcription services workers will require an average of one day more per week to complete paperwork. Not funding this service will impact social workers' time with clients, families and service providers, and diminish communication with partners and providers.

Not funding $86.0 GF of the division's $172.0 increment to place Mental Health Clinicians in licensing units means a decline in the preparation and assistance Mental Health Clinicians provide to foster parents regarding the care of the child placed in their home. The Division may see a loss of foster parents due to decreased support of foster placements, an increase in the number of foster care placements per child, and an increase in foster care costs.

Not funding $440.0 GF the $550.0 Anchorage and Mat-Su lease increment will force workers to continue to work without adequate space in crowded office conditions that require many professional staff to share space. This will prevent clients from meeting one-on-one with social workers, will affect confidentiality and communication, and lessen rapport building between the client and social worker.

Not funding $50.0 GF the division's Relative Navigators $60.0 increment will eliminate the assistance the Relative Navigator would provide to regional staff to locate adult relatives of children who are in state custody and to assist them to become foster or adoptive families.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Adoption Placement Program (formerly the Balloon Project)	(1,649,200)	General Funds

Impact Title: Elimination of Adoption Placement Program (Balloon Project) Funding

Impact Analysis:
The reduction of $1,649.2 in Balloon Project funding would result in the loss of 14 social worker positions and 4 attorney positions statewide. This reduction would affect Anchorage, Fairbanks, Nome, Palmer, Kenai, Bethel, and Juneau field offices. The reduction of 14 social worker positions would increase the caseload of the remaining social workers an additional 2 cases, at a time when the average caseload already exceeds national caseload standards. When combined with the Front Line Social Worker component, the social worker caseload could increase by 5 cases. In Anchorage, workers would manage caseloads of approximately 33 cases; more than double the national standard of 15 cases.

An increase in caseload would not enable social workers to investigate reports of harm timely, could increase the risk of harm to children, would force children to remain in foster care longer, and would increase foster care costs. Further, the division estimates that 6 to 9 percent fewer legitimate reports of harm would be investigated with the loss of these 14 positions. When combined with the 9 to 13 percent reduction in reports of harm investigated due to the potential loss of approximately 20 social worker positions in the Front Line Social Worker component, legitimate reports of harm investigated could decrease by 15 to 22 percent.

The attorney positions were established to help transition children through the foster care system and into a permanent home more rapidly. These positions enable the division to meet the legal mandate that permanent placement must be accomplished within the shortened time frames set by State and Federal law. These laws require children that have been in foster care for 15 of the past consecutive 22 months be placed into a permanent home. The elimination of funds dedicated to this effort will reduce the department’s ability to meet these legal mandates and force children to remain in the foster care system longer.

The elimination of this program would negatively affect several of the division’s performance measures and more importantly the children the division is responsible for protecting. Specifically, the division would look for the number of children in state custody longer than 18 and 36 months to increase, as resources dedicated to transitioning children into permanent homes would be eliminated. Substantial progress has been made by the Balloon Project workers to terminate parental rights and free children in long-term custody for adoption. As such, the length of time in state custody before achieving adoption would also increase due to the elimination of staff and essential resources.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Family and Youth Services Management	(153,400)	General Funds

Impact Title: Elimination of Positions

Impact Analysis:
The proposed reduction of $153.4 in general funds from the Family and Youth Services Management base budget may result in the lay off of 4 positions. These positions provide comprehensive program, managerial, and financial support to the Front Line Social Workers that deliver direct services to abused and neglected children. Short funding this program would further impact the program development, guidance, and progress toward zero tolerance.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Family and Youth Services Training	(22,500)	General Funds

Impact Title: Social Worker Education & Training Reduction

Impact Analysis:
The proposal to cut $22.5 from the Family & Youth Services Training component would result in the additional loss of $67.5 in federal receipts, for a total loss of $90.0.

This training would enable workers to recognize abuse and neglect more readily, and would enhance their skills in working with children and families to prevent further abuse and neglect. It would improve workers’ ability to determine when it is necessary to remove a child from a potentially harmful situation before physical or mental injury occurs or is repeated.

The proposed reduction in this component would also impact several of the division's performance measures including the staff turnover rate and percent of legitimate reports of harm that are investigated.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Human Services Community Matching Grant	(20,900)	General Funds

Impact Title: Reduction of Human Services Community Matching Grant

Impact Analysis:
The cut would reduce the grants to qualified municipalities for temporary and runaway shelters, meal delivery to the homeless, and domestic violence services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Mat-Su Youth Facility	($986,700)	General Funds

Impact Title: Partial Closure of the Mat-Su Youth Facility

Impact Analysis:
The House Finance Subcommittee restored $1.3 million in the Division of Juvenile Justice (DJJ) budget request unit to avoid closing a youth facility. In spite of this action, the remaining reduction to the division is significant. DJJ has little flexibility in adjusting to significant budget cuts. The services of the division are legislatively mandated, i.e. if clients meet the legal requirement for probation services or require secure detention, DJJ must respond accordingly. Additionally, the staffing requirements of a 7-day/24 hour facility dictate that a 15-bed facility cannot be operated at half capacity for part of the year.

This reduction cannot be absorbed without decreasing services. In looking at the entire division's budget, none of the options are desirable but some represent less impact than others. The Division believes that reducing facility operations at the Mat-Su Youth Facility (MSYF), while difficult to contemplate, will enable the Division to retain the highest level of service possible with the proposed reduction. The effect of a $986.7 cut at the MSYF will be a reduction in the work force of 13 positions, leaving a work force of 6 full time positions, which is not sufficient to operate a secure detention facility on a 7-day/24 hour basis.

We will, however, attempt to mitigate the impact on clients and the community. With the remaining MSYF staff, the Division will implement a community detention program, which is a blend of community supervision and facility placement for eight hours a day or less. Additionally, the Division will explore the option of operating an emergency on-call detention program on the weekends.

The impact on the community will be:

A reduction in the level of community protection because fewer juveniles will be detained, since law enforcement will have to weigh the time required to transport them to McLaughlin in Anchorage versus providing community protection by remaining at their duty stations.

The inability to quickly and appropriately detain juveniles will likely result in increased delinquency in the community, resulting in a larger number of victims and a reduction in the community's sense of safety.

Fewer secure detention beds will reduce the division's ability to hold juveniles accountable for their delinquent behavior, increasing the likelihood that these youths will commit more offenses of a more serious nature prior to getting detained.

Juveniles transported to Anchorage will increase McLaughlin's population and may result in overcrowding.

Placement of juveniles from the Mat-Su valley at McLaughlin will increase their exposure to a larger and often more delinquent cohort of juveniles from Anchorage, contributing to an increased likelihood of re-offense for these youths.

Best practice guidelines indicate that juveniles served closer to their home communities and families have an increased likelihood of success. Family members of juveniles detained in Anchorage will likely visit less or not at all, which decreases the opportunity for staff to work effectively with these families.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Probation Services	($500,000)	General Funds

Impact Title: Eliminate funding for additional probation resources

Impact Analysis:
The House Finance Subcommittee's proposal to cut this General Fund request would eliminate the increment for additional probation resources. Additional early accountability resources are needed to provide immediate responses as a way to keep young offenders from becoming chronic, habitual delinquents who prey on victims and communities. The increment needed to implement this two-year strategic plan is small compared to the costs associated with constructing and staffing a new youth facility. In tangible terms, this strategy is most easily understood in terms of its impact on juvenile probation officer time available to provide swift and effective service to victims, communities and offenders. The most distinctive effect of the loss of this funding is

more dangerous communities, fewer satisfied victims, and juveniles more likely to commit additional crime.

Program:	Dollar Amount(s):	Fund Source(s):
Public Health Nursing	(1,121,200)	General Funds

Impact Title: Cut essential Public Health Nursing Staff

Impact Analysis:
Ten nurse and three support staff positions will need to be eliminated from the Public Health Nursing program due to the proposed reduction of ($499.5) from the FY02 general fund base, not funding the increased salary costs ($217.4), and loss of matching federal funds through Medicaid. This will decrease the ability of the program to assist in meeting the measures agreed to with the legislature: to increase the immunization rate of two year olds, reduce the spread of such diseases as sexually transmitted diseases, tuberculosis and hepatitis and promote delayed initiation of sexual activity among teens in the state. Due to the loss in general funds, the program will not be able to draw down the matching federal funds through Medicaid resulting in the loss of approximately fifty thousand dollars of operating funds (used for medical supplies, travel etc.) in addition to the positions described above. This will further erode the ability of the program to meet the agreed upon measures identified previously.

The elimination of the increment ($259.2) to fully fund the lease costs for the Bethel Health Center will result in staff operating and providing services out of a very sub-standard facility. The elimination of the Health Passport project increment ($145.1) will preclude the state being able to draw down an additional $434.7 federal dollars to fund the seven nurses that would have been able to assist children in Foster Care in accessing the medical and health care services they need and currently do not receive due to lack of consistent caregivers and health care providers.

It is also critical to remember that the new federal funding for bioterrorism has a requirement that those federal funds not be used to supplant state funding for essential services. General Fund cuts to the public health nursing program may jeopardize a portion of the expected $6.9 million in federal funding.

Program:	Dollar Amount(s):	Fund Source(s):
Public Health Laboratories	(226,900)	General Funds

Impact Title: Reduce essential and critical laboratory services and lose federal matching funds.

Impact Analysis:

Due to the proposed reduction from FY02 base funds in the amount of ($151.4) the Section of Laboratories will have to eliminate 1) the biomonitoring laboratory and 2) the alcohol and drugs of abuse laboratory. The elimination of the biomonitoring laboratory will result in the inability assist Epidemiology with scientific evidence to respond to local requests for consultation. Additionally, Alaska will be unable to counter the national food advisories that are not appropriate for Alaska and may undermine subsistence and commercial and sport fishing viability. Elimination of the alcohol and drugs of abuse laboratory will significantly hinder the Medical Examiner in establishing toxicological causes of death.

Base fund reductions will also result in a 23% reduction in the number of individuals that can be tested for significant contagions such as tuberculosis, hepatitis and sexually transmitted diseases. The result will be that one out of four individuals with these diseases will not be identified nor treated, thereby spreading the disease throughout the population.

The additional cuts of ($75.5) will result in the elimination of at least one full-time microbiologist. The Section of Laboratories has experienced a 47% vacancy rate of the medical scientists for the past several years. Further reductions in staffing through elimination of this position will contribute further to an unacceptable and potentially medically dangerous level. Insufficient number of personnel leads to increased technical errors that will lead to misdiagnosis, increased fatalities and a general increase in the occurrence of infectious diseases.

Finally, due to the reduction in general funds the Section will receive fewer federal matching dollars through Medicaid, further eroding the ability of the laboratory to provide scientific and medical support for the legislatively mandated control of diseases such as tuberculosis, hepatitis and sexually transmitted diseases.

General Fund cuts to the public health laboratory program may jeopardize a portion of the expected $6.9 million in federal bioterrorism funding.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Epidemiology	(365,200)	General Funds

Impact Title: Reduced ability to control the spread of Tuberculosis and other diseases.

Impact Analysis: There will be less tuberculosis screening, less supervision of medication administration for persons infected, and fewer field investigations to identify under diagnosed infections among contacts of cases. As a result, we would predict that sooner or later, a major outbreak would occur with subsequent large numbers of infected people and enormous costs to control, similar to what happened on St. Lawrence Island in the 1990s. The measure related to reducing tuberculosis in the state will not be reached.

Due to the elimination of the increment ($200.0) to fund the evaluation and monitoring of environmental contaminants, the State will not have a credible voice to speak out on food safety issues. Because the science base that underlies risk assessment methodology is controversial and unsettled, considerable public health expertise is required to answer the question, “Is this food safe to eat?” Dedicated professional staff will not be available to provide authoritative public health advice, leverage resources from other agencies, develop risk communication techniques in partnership with Alaska Natives, and provide a check on US EPA’s ability to bypass State government.

Finally, due to the loss in general funds described above, the program will not be able to draw down the matching federal funds through Medicaid which would have been used for medical supplies and travel. This will further erode the ability of the program to meet the needs of controlling the spread of diseases.

General Fund cuts to the epidemiology program may jeopardize a portion of the expected $6.9 million in federal bioterrorism funding.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Office of State Medical Examiner	(95,400)	General Funds

Impact Title: Eliminate forensic pathologist position

Impact Analysis:
A reduction to the FY02 base General Funds of ($95.4) will make it impossible for the program to fund the third forensic pathologist position in the office. This means fewer autopsies will be done and there will be less time available for the pathologists to provide consultation to law enforcement and to testify in court. Overall there will be less information for families and the legal system regarding causes of death and how to prevent them in the future or hold those causing the death accountable.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Community Health/Emergency Medical Services	(110,800)	General Funds

Impact Title: Insufficient funding for State two-way radio Emergency Medical Services communications system and reduction to Emergency Medical Services training and certification.

Impact Analysis:
The denial of the ($50.0) increment for State two-way Radio Emergency Medical Services communications system will result in the following: 1) the Denali Borough being required to pay for the 911 circuits from Healy to Fairbanks; 2) a shift of the cost

of the four emergency call boxes on the Seward Highway to the Departments of Transportation & Public Facilities and Public Safety, since the majority of the calls on this system belong to these two departments; and 3) the shut down of parts of the system in low-use areas during low-use times of the year. This will endanger lives in the affected areas.

The ($60.8) reduction to Emergency Medical Services training and certification will result in the following: 1) not funding a contract for the State Emergency Medical Services Medical Director; 2) reduced expenditures for Emergency Medical Services equipment and supplies; 3) the elimination of the printing of the quarterly Emergency Medical Services newsletter *Response*; and 4) a reduction in the very small amount of general funds that support Emergency Medical Services staff in the state office. This will reduce the quality of program services statewide as a result of less medical direction and support for local activities.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Health Information and Systems Support	(90,000)	General Funds

Impact Title: Elimination of a new position to monitor the well-being of children and evaluate the impact of programs and services

Impact Analysis:
Without this funding, it will be difficult to monitor the health of Alaskan children over time, to determine whether current services and strategies for achieving objectives are effective and know how to revise programs and services so they provide the most benefit for Alaska's children.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Community Health Grants	(332,500)	General Funds

Impact Title: Elimination of grants for vision, hearing and prematernal home services and a reduction in primary care health grants.

Impact Analysis:
Grants provided to Norton Sound Health Corporation (based in Nome) and Maniilaq Association (based in Kotzebue) for Prematernal Homes and for Vision and Hearing are targeted for elimination because these are special project funds unique to these two grantees, and are not provided through a statewide program. While these services are critical to the communities and residents served in these regions, statewide programs to provide these services for all Alaskans were never developed as they are not high-priority essential public health services.

As a result of eliminating the funding for the Prematernal Homes ($121.2) in Nome and Kotzebue, these two programs will either have to reduce services or find outside funding to maintain the current service level. These homes are critically important to ensuring women have a place to stay in the regional hub while waiting to give birth.

Elimination of the support for the hearing and language services and vision services ($136.9) for Norton Sound and Maniilaq means that some individuals served by these corporations may go without these services. The result could be learning problems in these children and impaired communication or mobility for an adult/elder.

Reduction of the funds available to assist small local communities in maintaining access to primary care services by ($74.4) will mean several fewer communities will receive these small supplemental grants that sometimes mean the difference between being able to sustain one provider and having to stop services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Infant Learning Program Services	(200,000)	General Funds

Impact Title: Reactivate waitlist for ILP services to high risk children with disabling conditions

Impact Analysis:
Early Intervention/Infant Learning Program services for children between the ages of 0-3 are provided by this program to reduce or ameliorate disabling conditions. Each year, the number of child find referrals increases, the number and percentage of children with the most significant disabilities and service needs has grown, and the cost per enrolled child continues to escalate. During FY01, the average cost for a child enrolled in Early Intervention/Infant Learning Program services was approximately $3800 per year. Elimination of the $200.0 increment will reactivate the waitlist and could cause approximately 53 children with disabling conditions to go without these essential services and will make it impossible to meet the agreed upon measure of all eligible Infant Learning Program children being served.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Maternal, Child & Family Health Services	(212,500)	General Funds

Impact Title: Cuts to grants eliminates handicapped children programs and reduce newborn screening and genetics clinics.

Impact Analysis:
The FY02 General Fund base funding reduction of ($112.5) will require the elimination of the Handicapped Children's Program which provides some rehabilitative and diagnostic services to 30 high risk children with special health care needs. None of

these children are eligible for Medicaid and do not have any other coverage, so may have to go without some of the complex medical care they require.

The elimination of the increment ($100.0) for General Fund/Program Receipt authority will not allow the Newborn Metabolic Screening Program or Specialty and Genetics Clinics to use all of the receipts generated. As a result, clinic slots will be more limited and some children who need specialty services will be denied care.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alcohol & Drug Abuse (ADA) Treatment Grants	(2,151,600)	General Funds

Impact Title: Reduction to the current ADA Treatment Grants and elimination of the Governor's Alcohol Initiative in the Treatment Grant Component

Impact Analysis:
The Treatment Grant base was reduced by $16.4 GF. This reduces current treatment services and results in approximately 4 adults not receiving residential treatment or 11 not receiving out patient services.

The House Finance Subcommittee did allow $800.0 for Maintaining Detoxification and Dual Diagnosis Services in Anchorage (fund source change). The Governor had requested $1,078.5 for maintaining current services in Anchorage and an increment of $1,442.6 for expanding statewide dual diagnosis treatment services. The current Anchorage services provide 5 enhanced and 10 standard detoxification beds as well as 12 beds for residential dual diagnosis treatment services. The partial funding provided will reduce the number of beds in Anchorage to 3 for enhanced and 7 for standard detox services, and 9 beds for dual diagnosis treatment services. Lack of incremental funding will mean statewide dual diagnosis and Detox services cannot be expanded to address this critical need. The purpose of these two requests was to provide more appropriate care and a treatment alternative for persons in crisis with the dual diagnosis of mental illness and substance abuse who do not require hospitalization. Providing detoxification and dual diagnosis treatment services for a more acute population in the least restrictive environment possible saves the state the cost of unnecessary and expensive hospitalizations and shortens hospital stays. This fund source change and increment were put forward as part of the downsizing of the Alaska Psychiatric Institution.

In addition the Governor proposed increments and the House Finance Subcommittee voted not to fund:

1. Fund source changes from MHTAAR funding to GF/MH for programs that would:
   - Continue the level of Substance Abuse for Rural Women with Children. Current capacity for this type of treatment will be reduced by 50%

resulting in a loss of service to approximately 13 women and their families ($250.0)

- Continue to pay for daycare so that women with children in Dillingham can participate in out patient care ($50.0)

2. Increments that would reduce the waitlist for Women with Children and Other Adults ($1,712.8). Currently, a woman with children has to wait an average of 147 days and other adults have to wait 63 days before being able to receive services. Many times when individuals have to wait for a length of time before receiving services, they become discouraged and resume their previous lifestyle of substance abuse. This in turn leads to increased loads in the prisons and on the DFYS foster care program.
4. An increment to provide funding to Hub Rural Communities so that people afflicted with alcoholism would not be forced to leave their communities for treatment. Many individuals do not want to leave their communities; one result being the high suicide rates in the villages ($1,062.0).
5. An increment to annualize the Therapeutic Courts ($286.4). The Legislature provided a pilot project in Anchorage and Bethel, where an individual could receive treatment in lieu of a prison system. Failure to annualize this project will mean that the Division will fully fund the Bethel Court and partially fund the Anchorage Court. This will impact the prison system in Anchorage, as the choice of treatment versus imprisonment is reduced.
6. An increment to provide transitional housing for Substance Abusers ($250.0). This housing was to allow for individuals to return to their communities from treatment out of town and maintain a safe and sober life-style. Without this funding individual will either have to remain away from their families longer or they relapse to the old life-style of abusing.

The total change to the ADA Treatment Grants component compared to the FY03 Governor's Budget also reflects funding of the alcohol grants to the former "designated BRUs" in the ADA component.

<u>Measures established by the Legislature for which targets will not be achieved as a result of the above actions:</u>

Number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).
The rate of drug and inhalant abuse by age group and region.
The rate of binge or chronic drinking by age group.
Number and rate of infants affected by prenatal exposure to alcohol by region.
Number of new admissions as a percentage of the total admissions to treatment programs for alcohol and drug abuse.
Length of time that alcohol or other drug treatment clients are on waiting lists before receiving services.

Program:	Dollar Amount(s):	Fund Source(s):
Alcohol Safety Action Program	(1,415,300)	General Funds

Impact Title: Reduce current ASAP services and eliminate the Stabilization of the Adult ASAP and Expansion of the Juvenile ASAP increments.

Impact Analysis:

(106.2) GF – Reduction to the Base/Annualization of Salaries.

This will mean the closure of the Seward and Mat-Su ASAP offices.

The basic ASAP function is to provide case management and accountability for DWI and other alcohol and drug related misdemeanor cases. This involves screening cases referred from the district court into drinker classification categories, as well as managing and monitoring cases throughout education and/or treatment requirements. In addition, Anchorage ASAP staff, which is comprised of state employees, is responsible for statewide policy development, quality assurance, training, providing for statewide data collection through ASAP MIS, and grant management for the Alcohol Safety Action Program (ASAP). Eight other sites are funded by grants to non-profits.

According to the study released November 13, 2001 by the McDowell Group on the "Economic Costs of Alcohol and Other Drug Abuse In Alaska, Phase Two" $21.0 million can be attributed to driving while under the influence. The referrals by the courts to the Anchorage office alone mean that each Adult Probation Officer handles nearly 900 cases per year. With a caseload this high, this reduction to the base will have to be distributed to the grant line.

(470.0) GF – Eliminate the Stabilization of the Adult ASAP Increment

The Governor proposed, and the House Finance Subcommittee voted to not fund an increment to stabilize the Adult ASAP program.

Alcohol is the single biggest contributing factor to crime in Alaska. The Criminal Justice Assessment Commission has consistently expressed the need to efficiently and effectively monitor misdemeanor offenders to ensure compliance with sentencing recommendations imposed by the courts. Helping the offender to complete recommended treatment increases the probability that criminal behavior will not be repeated. The impact of not funding this stabilization will be:

- There will be a significant increase in the amount of time that the offender can appear for screening and referral to education or treatment from 1-2 weeks to a minimum of 1-2 months.
- The training, technical assistance and grant reviews provided by the Anchorage ASAP office to other locations in the state will be reduced substantially.
- Reporting non-compliance to the prosecutor and the Court will be less effective, as there will be a backlog of approximately 2000-3000 cases.

- There will be greater opportunity for the offender to fall through the cracks with the time lag in referring the offender to education or treatment.
- There will be an increase in the number of repeat DWI, Domestic Violence Assault and other offenders in the system. A majority of these offenders will require an increase in jail time and space utilization.

From 1988 to 1995, ASAP experienced an 87% increase in caseload with no increase in funding. To deal with this burden on the ASAP system, ASAP cut back significantly on monitoring offender's compliance, as well as closing five ASAP grantee offices.

(839.1) GF – Eliminate the Expansion of the Juvenile ASAP Increment

The Governor proposed, and the House Finance Subcommittee voted to not fund an increment to expand the Juvenile ASAP pilot program.

There has been a slow, but steady increase in alcohol-related injuries to youth recorded by emergency rooms and trauma centers between 1991 and 1998. Early intervention with minors who are known to use alcohol reduces future demands on both the juvenile and adult criminal justice systems.

<u>Measures established by the Legislature for which targets will not be achieved as a result of the above actions:</u>

Number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).
The rate of drug and inhalant abuse by age group and region.
The rate of binge or chronic drinking by age group.
Number and rate of infants affected by prenatal exposure to alcohol by region.
Number of new admissions as a percentage of the total admissions to treatment programs for alcohol and drug abuse.
Length of time that alcohol or other drug treatment clients are on waiting lists before receiving services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Rural Services and Suicide Prevention	(1,514,600)	General Funds

Impact Title: Cut Back Existing Grantees and Eliminate Expansion of Suicide Prevention Programs and Community Counselors

Impact Analysis:
(146.9) GF – Reduction to the base
(500.0) GF – Elimination of the Suicide Prevention Expansion Increment

The $146.9 reduction to the base would be taken in the Suicide Prevention program. This would reduce by 10 the number of communities currently with Suicide Prevention grants. The Governor proposed an expansion of the program that was to add approximately 33 Suicide Prevention grants. The House Finance Subcommittee did not approve this increment. The elimination of the expansion of the Suicide Prevention increment from the Governor's Budget will result in a total of 43 communities not receiving suicide prevention grants. The average size of a Suicide Prevention grant award is $15,000. Rural Alaska has a rate of suicide far higher than the national or other states' rates. Suicide Prevention grants have been shown to be an important piece of the suicide prevention effort.

(867.7) GF – Elimination of the Rural Human Services Expansion

The House Finance Subcommittee action eliminated the expansion of Rural Human Services increment that the Governor proposed. This means that the division will not be able to grant to the villages a total of 18 FTE counselors. Rural Human Services (RHS) grants go to regional health corporations and social service agencies to hire, train and supervise village-based counselors. RHS graduates are currently working in over 75 rural communities, doing assessments, making referrals, providing case management, substance abuse counseling, aftercare and prevention/education services. Their parent agencies report that RHS village-based counselors effectively deal with crises in the village, often eliminating the need for costly emergency travel to larger communities. Additionally, agencies have noted an increase in the number of people voluntarily seeking substance abuse treatment as a result of the work of village-based counselors.

<u>Measures established by the Legislature for which targets will not be achieved as a result of the above actions:</u>

Number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).
The rate of drug and inhalant abuse by age group and region.
The rate of binge or chronic drinking by age group.
Number and rate of infants affected by prenatal exposure to alcohol by region.
Number of new admissions as a percentage of the total admissions to treatment programs for alcohol and drug abuse.
Length of time that alcohol or other drug treatment clients are on waiting lists before receiving services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Community Action Prevention and Intervention Grants	($574,300)	General Funds

Impact Title: Reduce the number of current prevention grants and eliminate the increment for Inhalant Prevention

Impact Analysis:
(104.3) GF – Reduction to the Base

The proposed decrement of $104.3 from the FY02 base represents a decrease in grant funds available to local communities for alcohol and drug abuse prevention services. Projects are currently funded in 15 communities around the state including Homer, Seldovia, McGrath, Anvik, Dillingham, Craig, Seward, Yakutat, Valdez, Wrangell, Fairbanks, Juneau, Anchorage, Wasilla, and Sitka. A reduction of this magnitude will result in the closure of a minimum of one of these projects. This will result in the loss of at least two and a half (2.5) jobs in each community and services to a minimum of four hundred twenty-five (425) high-risk youth.

(470.0) GF – Eliminate the Inhalant Prevention Increment

The Governor proposed an increment to provide community based inhalant prevention services. The House Finance Subcommittee voted not to fund this increment. This will mean that the state will not be able to do inhalant preventive services. Where 29% of all 8th graders are known to use inhalants, the State of Alaska will not be able to educate elementary school aged children in the hazards of this activity which has been known to cause death or permanent disabilities.

<u>Measures established by the Legislature that will not be achieved as a result of the above actions:</u>

Number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).
The rate of drug and inhalant abuse by age group and region.
The rate of binge or chronic drinking by age group.
Number and rate of infants affected by prenatal exposure to alcohol by region.
Number of new admissions as a percentage of the total admissions to treatment programs for alcohol and drug abuse.
Length of time that alcohol or other drug treatment clients are on waiting lists before receiving services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alcoholism and Drug Abuse Administration	(41,700)	General Funds

Impact Title: Maintain a higher vacancy rate within the Division

Impact Analysis:
The Division of Alcoholism and Drug Abuse is a grants-in-aid program. Holding positions vacant longer will mean that the division will experience difficulty in getting the funds on the street and monitoring the grantees for compliance. This will greatly impact some of the small grantees that need to have the advances that we provide in order to keep their doors open. If they cannot pay their staff, the number of individuals on the waitlist who need and desire treatment will increase.

<u>Measures established by the Legislature for which targets will not be achieved as a result of the above actions:</u>

Number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).
The rate of drug and inhalant abuse by age group and region.
The rate of binge or chronic drinking by age group.
Number and rate of infants affected by prenatal exposure to alcohol by region.
Number of new admissions as a percentage of the total admissions to treatment programs for alcohol and drug abuse.
Length of time that alcohol or other drug treatment clients are on waiting lists before receiving services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Community Mental Health Grants BRU Total	($1,540,800)	General Fund/ Mental Health
Component Detail:		
Gen. Comm. Mental Health Services	($548,100)	
Psychiatric Emergency Services	($508,800)	
Svcs. to the Chronically Mentally Ill	$329,500	
Svcs. to Sev. Emot. Disturbed Youth	($154,400)	
Designated Evaluation and Treatment	($0,000)	

Impact Title: Community Mental Health System Losses

Impact Analysis:
In order to manage the funds from the Designated Budget Request Unit in the most efficient manner, the Division of Mental Health and Developmental Disabilities allocates to the component level. The cuts as shown in the following impact analysis are distributed among components differently than those proposed in the House Finance Subcommittee closeout, but they do accurately reflect underfunding of the Governor's FY03 Amended Budget request.

For FY03, the House Finance Subcommittee proposes to reduce the general funding for community mental health grants by ($1,540.8). This transaction is the net effect of a 5.2% total cut across the BRU's components. The ($1,540.8) reduction will mean the loss of major portions of the community mental health system statewide. The division will be forced to base community mental health funding on priority populations.

General Community Mental Health Grants:
The most important impact of the reduction will be the total elimination of “general mental health services” statewide. The ($548.1) reduction in this component, and the reduction in the Psychiatric Emergency Services component below, eliminates all general community mental health grants in the state. These programs provide services to emotionally disturbed adults and youth who do not reach the level of impairment to be classified as severely mentally ill or severely emotionally disturbed. The estimated impact on the population is the loss of services to over 9,720 adults and youth.

The programs also provide limited support services to Severely Emotionally Disturbed Adults, who are adults with severe and disabling, but non-psychotic disorders. This population has never had specific grant funding. Severely Emotionally Disturbed Adults are another priority population, and will have to be absorbed into the programs for Chronically Mentally Ill Adults, as indicated below.

Psychiatric Emergency Services:
The ($138.8) component reduction is comprised of a ($508.8) cut plus the $370.0 increase for Enhanced Crisis Respite. This ($508.8) reduction will eliminate three formerly general mental health grants that were transferred to this component and renamed as crisis follow-up services. The remainder of the statewide psychiatric emergency services will be maintained at FY02 levels.

Services to Chronically Mentally Ill Adults:
The $740.6 increase to this component is comprised of a ($329.5) reduction plus the $952.8 increase for the statutorily required assisted living home rate increase. A ($329.5) cut represents a 2.6% reduction in the FY02 funding level for this priority population, plus the absorbing of two thirds of the estimated cost of Severely Emotionally Disturbed Adults formerly served by General Community Mental Health Services. The total service loss to these two adult populations is approximately 527 priority adults.

Services to Severely Emotionally Disturbed Youth:
A ($154.4) reduction in the FY02 funding level for this priority population, plus the absorbing of one third of the estimated cost of Severely Emotionally Disturbed Adults formerly served by General Community Mental Health Services is a significant loss. The resultant reduction to services to severely emotionally disturbed youth will remove funding for approximately 93 youth.

Designated Evaluation and Treatment:
Designated evaluation and treatment services will be maintained at FY02 levels.

The program's ability to carry out the Division's mission to "improve and enhance the quality of life for consumers impacted by mental disorders…" would be seriously compromised by these significant service reductions. The MH performance measure, "percentage of mental health consumers receiving services who show improved functioning as a result of the service," would be negatively impacted by these reductions as well, because of the elimination of general mental health services to the 9,720 emotionally disturbed adults and youth who do not reach the level of impairment to be classified as severely mentally ill or severely emotionally disturbed. This is the least seriously ill of all the mental health consumer populations, and thus also the most likely to experience considerable improvement as a result of services. Without these people being factored into the performance measure's equation, a lower percentage of consumers would appear to be improving as a result of receiving services.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Community Developmental Disabilities Grants	($1,072,200)	General Funds/ Mental Health

Impact Title: Community Developmental Disability (DD) System Losses

Impact Analysis:
The House Finance Subcommittee's proposed cut from the Community DD Grants BRU is ($1,072.2) less than the FY03 Governor's Amended Budget request (5.7% reduction). This would result in reduced DD services to families, the layoff of direct care workers, a dramatic increase of people on the DD Waitlist, and a likely increase in situations which escalate to crisis proportions.

Preliminary information received from 16 of the 33 grantees indicates that 133-167 individuals and 300-358 families would lose services. Depending on their FY 02 Award, a 5.7% reduction would range between ($50.0) and ($150.0) for each provider. For one DD grantee agency, which provides services to rural communities in a 236,000 square mile region a 5.7% cut in grant funds would result in at least 25 families losing respite care due to laying off of staff. This also means that the people providing the respite will lose their jobs, further limiting employment opportunities in an area where jobs are already scarce. A 5.7% reduction to the small rural program in Nome means cutting one FTE or two part-time positions (all of the village positions are part-time). It translates into about 1,140 hours of direct care and support services cut for our consumers, many of who have no primary caregiver beyond DD staff or overburdened family members. Job coaches assist people with DD in maintaining paying jobs in the community. A $100,000 cut to a vocational program such as ASSETS or ALPA would cause two job coaches to be laid off, resulting in the loss of jobs for 10 individuals with DD.

The 5.7% cut to the CDD Grants will cause an even greater rise in the number of people on the DD Waitlist at the end of FY 03, to an all time estimated high of 2,500. People will remain on the list until someone else dies or moves to another state. Only 22 people in FY 01 came off the DD Waitlist as a result of a death or someone leaving the state.

Additionally, the amount available to pay for interventions such as Core Services in short term crisis situations that prevent the need for intensive out of home supports will be reduced. Without Core Services or crisis supports, situations will escalate to the point where more expensive services will be necessary to address the person's needs or assist the families who face a crisis. Core Services for 32 families would be eliminated and the number of people requesting this service would likely double from 327 in FY 02 to 652 in FY 03.

The program's ability to carry out the Division's mission to "improve and enhance the quality of life for consumers impacted by…developmental disabilities" would be seriously compromised, and progress on both DD performance measures would drop. The percentage of consumers seeking service who receive service would decrease, while the time consumers spent on the DD Waitlist would lengthen.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Mental Health & Developmental Disabilities Administration	($632,700)	General Fund/ Mental Health

Impact Title: Lay Off 23% of MHDD Admin Component Staff

Impact Analysis:
The House Finance Subcommittee's proposed cut from the MHDD Administration component is ($632.7) less than the amount in the FY03 Governor's Amended Budget. This equates to the component laying off approximately sixteen staff. We would most likely spread the layoffs across functions so as not to completely eliminate any one function. Still, this cut will seriously impact our efforts in assuring the safety of vulnerable mentally ill and developmentally disabled people, assuring the quality of MH and DD services provided, and serving as good stewards of public funding to grantees.

We would lose the ability to adequately license, monitor and investigate the Assisted Living Homes serving our MH and DD consumers, leaving this population dangerously vulnerable to threats and potential facility safety issues. We would lose a portion of the Community MH Grants and Community DD Grants programmatic oversight and technical assistance for the program's non-profit service providers. This would result in a reduction of the Division's ability to assure delivery of appropriate service to consumers. Finally, we would suffer a decreased ability to provide Division infrastructure support to the MH, DD and Safety/QA programs—processing grant awards and payment, developing and maintaining information systems for reporting service data, and providing management of the Division's fiscal and human resources.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Psychiatric Institute	($1,201,400)	General Fund/ Mental Health

Impact Title: Short fund Alaska Psychiatric Institute (API)

Impact Analysis:
The House Finance Subcommittee's proposed FY03 funding level represents an increase to API's base budget of the FY02 Management Plan.

However, this proposal is ($1,201.4) short of the API general funds requested in the FY03 Governor's Amended Budget. While the increased funding will help cover the cost of API's increased patient census, it does not address the FY03 ($491.5) loss of funding from Mental Health Trust Authority Receipts (MHTAAR), nor does it address the ($877.5) loss of federal funding from the final phase out of Disproportionate Share Hospitals (DSH) to API. The Governor's Amended Budget addresses all of these issues.

A reduction to the FY03 budget of the magnitude proposed would require API to decrease its treatment capacity by 10 beds. This would drop API from a 74 bed facility *to just 64 total beds*, and eliminate *at least* 18 jobs at the hospital.

Without its full FY03 request, API will not be able to meet its statutory mandates to admit, evaluate, and treat those individuals from communities across the State brought to API for involuntary treatment. (AS 47.30.700 -.915 and AS 12.47.010 - .130). Presently, approximately 82% of API's patients are admitted involuntarily or under court order (FY01 data), and API has always accepted, evaluated, and treated these individuals.

With the subcommittee's proposed under-funding of API's FY03 budget request, API will have to refuse any patient that would place it over its new 64-bed capacity. This would require communities and courts seeking to place an involuntary patient in API to divert that prospective patient to a local hospital's emergency room bed or to a local jail cell pending bed availability at API. The majority of local hospitals are not staffed, equipped, or trained to appropriately and safely manage indigent persons experiencing a mental health crisis for any length of time within their facility. And transferring an individual experiencing a mental health crisis to a jail cell to await bed availability at API would not only be inhumane, it would be very dangerous, as suicide attempts are common and jail staff are busy and cannot be expected to provide the care and treatment necessary to an individual who is delusional.

There is most definitely a domino effect at work here: API manages at its present capacity of 74 beds only because of appropriate staffing levels at both API and community mental health and DD support programs. If these local community programs begin to lose service capacity, then the result of this will be increased admissions to API, and increased pressure on API to accept and treat patients for longer periods of time, because of community concerns for the safety of the consumers and, just as importantly, the safety of the public. And this will be happening at the same time the subcommittee is reducing API's bed capacity to just 64 beds because of the FY03 underfunding for API.

The Division would prefer that the Legislature continue its commitment to building and maintaining community-based mental health and DD services. But if the subcommittee is signaling a change, it cannot also then reduce the Division's treatment capabilities at API, which is the State's inpatient treatment option of last resort and which must be able to handle the impact of increased demand. To do so would have very disastrous results for public health and safety in Alaska.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Administrative Services	($319,100)	General Funds

Impact Title: Reduce funding for support positions and cut services.

Impact Analysis:
The Division of Administrative Services' performance measures include the amount of time it takes to pay vendors, the percentages of grievances and complaints resolved, and the number of audit findings resolved. The Division's ability to achieve adequate performance related to these measures will be impacted by loss of funds and staff. If an alternate fund source cannot be found to replace the general fund reduction, DAS will potentially have to eliminate three to four positions.

Loss of these positions will affect the audit section, the planning and facilities section, the data warehouse, and the fiscal or personnel sections. DAS will also have to review the current chargebacks from the Department of Administration for potential reductions and efficiencies.

These reductions will cause delays in federal reporting, revenue collection and auditing for the many federal grants throughout the department and may result in penalties and loss of federal revenue essential to fund the programs in the department. The reduction could also result in increased turn around time on payments and the processing of other fiscal documents and will have a negative impact on vendors doing business with the department.

There will be delays in hiring which will impact department programs and delivery of services. There may also be delays in responding to work place safety issues and processing personnel documents that could result in increased union grievances and workers' compensation claims. These kinds of response or processing delays could result in increased costs to the department.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Mental Health Board	($26,700)	General Fund/ Mental Health

Impact Title: Reduction to the Alaska Mental Health Board

Impact Analysis:
The AMHB mission is to act as the state planning, advocacy, monitoring, and coordinating agency for Alaskans experiencing mental illness and serious emotional disorders (consumers). Relevant FY 2003 measures of progress toward fulfilling this mission are:

- Provide quarterly reviews of the quality assurance monitoring process for the state mental health program at regular public meetings.
- Develop and implement a strategic communications plan, including forums and outreach efforts, to raise public awareness of Alaska Mental Health Trust beneficiary needs and to reduce stigma.

An $26.7 reduction of AMHB funding from the Governor's FY 2003 request will directly affect both AMHB's capacity to fulfill its mission as well as its statutory and Mental Health Trust litigation settlement mandates. The cut will require the elimination of one of the AMHB's quarterly meetings, making it impossible to provide quarterly review of quality assurance monitoring, and curtailing forums and outreach efforts. Reducing the number of AMHB meetings to three will limit consumer access and advocacy during State policy and planning processes. Consumer involvement represents the core value of the AMHB and is mandated both in statute and the Trust settlement. Without significant consumer involvement, accomplished by taking the AMHB to consumers around the state, a consumer-centered system of care cannot be achieved.

Program:	Dollar Amount(s):	Fund Source(s):
Governor's Council on Disabilities And Special Education	($10,000)	General Fund/ Mental Health

Impact Title: Eliminate Donated Dental Care Program

Impact Analysis:
One of the most compelling public health needs of Alaskans with developmental disabilities, as well as for other Trust beneficiaries, is for preventative and restorative dental care and dentures. Although most private insurance companies pay for these services since their cost-effectiveness and value is well recognized, the State's

Medicaid program does not cover these services for adults. As a result, many Trust beneficiaries suffer from life threatening conditions, unnecessary pain, infection, and poor health as a result of years of neglect or improper oral hygiene. Only when an adult experiences infection and pain to the point where their health is compromised will Medicaid extract their teeth, although dentures are not provided.

The only dedicated source of funding for the provision of these services is the $10,000 the Governor's Council on Disabilities and Special Education receives from the legislature and the $5,000 it receives from the Alaska Mental Health Trust Authority for the donated dental program, although the most commonly requested service under the mini-grant program is dental care.

The Foundation of Dentistry for the Handicapped has used these funds to successfully operate the donated dental program since 1997. Since that time, the Foundation has provided dental care to 114 Alaskans who have received $244,600 worth of donated services from volunteer dentists and laboratories.

Not only does this program meet one of the major needs of adults with disabilities, it is cost-effective in that it returns $3.00 in donated dental services for every $1.00 spent. Without this program, even more adults with developmental disabilities and Trust beneficiaries will suffer needlessly.

Program:	**Dollar Amount(s)**	**Fund Source(s)**
Advisory Board on Alcoholism and Drug Abuse	($22,000)	General Fund/ Mental Health

Impact Title: Reduce the Advisory Board on Alcoholism and Drug Abuse

Impact Analysis:
The House Finance Subcommittee’s proposal to cut the Board’s budget $22,000 in GF/MH would significantly reduce the Advisory Board’s ability to do business on an already limited budget. To accomplish this cut it would be necessary to reduce the Advisory Board’s travel budget by $20,000, eliminating two of the four quarterly meetings of the fifteen-person board. In an attempt to mitigate this impact, two three-hour teleconferences would be substituted for the eliminated two meetings. It would also be necessary to hold standing committee meetings telephonically before each meeting by teleconference. This telephonic meeting cost is estimated at $6,478 for members and agency and organizational partners in the Advisory Board’s work. This reconfiguration of meetings would reduce the opportunities for Board members to hear from members of the public and interested stakeholders, as well as to share their expertise and views on policy recommendations on Alaska’s greatest public health problem.

The ability of the Advisory Board to meet its statutory responsibilities would be compromised. Responsibilities include advising the Legislature, the Governor, and state agencies in matters related to mental health and substance use disorders, preparing and maintaining a comprehensive plan of services, and providing the Alaska Mental Health Trust Authority with recommendations for implementation of the comprehensive integrated mental health plan and the expenditure of Trust income from the mental health trust settlement income account.

To accomplish the proposed cut it would also be necessary to reduce purchase of supplies and equipment by $1,200 and the purchase and/or maintenance of equipment by $800.

The Advisory Board accomplishes its responsibility with 3 full time equivalent positions; the fewest of any of the Trust beneficiary advocacy boards. The Board's travel budget has been gradually cut from $77,500 in 1997 to its present total of $61,400, a reduction of $16,000. Proposed cuts to the FY03 budget would put additional pressure on an already constricted operating budget.

Department of Labor and Workforce Development
Impact Statements in Response to
House Finance Budget Proposals
Date: March 16, 2002
Prepared by: Remond Henderson, Administrative Services Director

The House Finance Subcommittee's budget reduces the Department of Labor and Workforce Development's general fund budget request by $1,371,600 from the Governor's amended budget.

Program:	Dollar Amount(s):	Fund Source(s):
Mechanical Inspection	($240,200)	General Fund

Impact Title: Eliminate Two New Boiler/Pressure Vessel Inspector Positions and One Administrative Clerk Position

Impact Analysis: The House Finance Subcommittee's decision to eliminate funding for three new positions in the Mechanical Inspection program means that the current inspection backlog of over 6,000 boilers and pressure vessels overdue for safety inspection will not decrease in the foreseeable future. Without regular inspections, the division cannot ensure that maintenance and repairs to boilers and pressure vessels are being carried out as appropriate. A boiler that is not properly maintained represents a clear and immediate risk to life and property.

New vessels are coming into service constantly, throughout the state, and must be inspected before they can be used. The division has attempted to cope with this situation by increasing efficiency, and training plumbing inspectors to do some of the lower-pressure vessel inspections, but the size of the state and the travel and weather challenges involved present an effective upper limit to what can be accomplished with the current number of inspectors. The two additional boiler inspectors would generate additional inspection fee receipts of approximately $225.0.

With these new positions, the Mechanical Inspection program estimates that the backlog could be eliminated within four years, and kept current from then on. The clerical position was requested to handle the increased accounting associated with fees and certificates for the backlog of vessels.

Program:	Dollar Amount(s):	Fund Source(s):
Mechanical Inspection	($90,300)	General Fund Program Receipts

Impact Title: Eliminate One New Elevator Inspector Position

Impact Analysis: The House Finance Subcommittee's decision to eliminate funding for one new elevator inspector position in the Mechanical Inspection program means that the single elevator inspector within the program will continue to perform all required elevator and wheelchair lift inspections statewide (excluding Anchorage; done by the Municipality of Anchorage). New mechanisms come into service regularly, and cannot be used until they are inspected. A backlog of over 300 devices overdue for inspection has developed in the two years since elimination of the second inspector, a change to biennial inspections notwithstanding.

The position was requested in order that the program might better accommodate the workload currently allotted to the program's one elevator inspector. The additional inspector should generate sufficient inspection fees to fund the position.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Mechanical Inspection	($92,000)	General Fund

Impact Title: Eliminate One New Electrical Inspector Position

Impact Analysis: The House Finance Subcommittee's decision to eliminate funding for one new electrical inspector position in the Mechanical Inspection program means that the northern region will continue to be without a dedicated electrical inspector. Currently the division has two inspectors to cover the entire state. Given the size of the state, and the climate difficulties, this can lead to issues with availability of inspectors and with timely inspections of new buildings. Communities with sufficient workload to support municipal inspection programs (Anchorage, Fairbanks, Juneau [residential only]) are doing so already. The addition of one inspector will enhance compliance with Certificate of Fitness (CF) requirements. Major projects such as missile defense will also generate additional CF fees.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Wage and Hour Administration	($102,000)	General Fund

Impact Title: Eliminate two wage and hour technicians

Impact Analysis: The House Finance Subcommittee's recommendation not to fund two new wage and hour technician positions, one in Anchorage and one in Fairbanks, will result in a lesser amount of protection for Alaska's workers, and put law-abiding contractors at a competitive disadvantage.

Wage and hour technicians monitor and audit certified payrolls that are required to be submitted on publicly funded construction projects. These audits ensure that employers abide by prevailing wage standards and provide a "level playing field"; keeping the unscrupulous employer from getting an unfair competitive advantage by paying employees less than the prevailing rate of pay for a particular type of work. The audits also benefit contractors by catching payroll errors early in the process, when they are easily corrected and avoided in the future.

Without the technician positions, some audits will still be performed by wage and hour investigators, but only if complaints are received. Time spent performing audits will mean that the investigators spend less time out in the field ensuring that contractors comply with current wage laws. As a result, fewer prevailing wage violations will be found and prosecuted, fewer workers will have unpaid wages returned to them, and the amount of time it takes to close a case will increase.

In the past, the Wage and Hour program had four wage and hour technicians. Each technician generated between 30 – 60 thousand dollars per year in violations from routine audits. The program has been reduced to one technician, and the audits have become complaint-driven, and are performed by investigators. This means that potentially, up to $200,000 per year in wages lost through payroll errors is not being returned to Alaskan workers.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Job Training Programs	($503,400)	General Fund

Impact Title: Eliminate all state general funds for Job Training programs

Impact Analysis: The House Finance subcommittee proposal to cut the entire Job Training program general funds would directly impact staffing, services and ultimately clients. Of the total state and federal administrative funds available to the Balance of State (BOS), the elimination of all general funds represents a 36% cut. While we will attempt to minimize staff reductions, a cut of this magnitude will result in certain losses in overall program capacity.

Most importantly there will be an unavoidable corresponding loss of client services due to this decrease in capacity. The reductions will likely result in:

- Less grant oversight and compliance related functions including procurement, monitoring, and vendor technical assistance. The loss of these administrative funds will jeopardize our ability to ensure federal job training program compliance.

- Reduction of 5 front line service delivery field staff. This will translate into a noticeable and substantial reduction in the issuance of federal job training grants, and the management of individual cases. As a rule of thumb, most front line case managers serve approximately 80 eligible clients per year; in the worst case, there would be a loss of services to almost 400 Alaskans.

- Reduction of client services could also impact welfare reform efforts. With a current service level of close to 30% of all WIA adult clients being welfare recipients, a corresponding projected loss in services to welfare recipients under this cut could translate into 120 welfare clients not served.

- Reduction in client case management capacity will also restrict or reduce active outreach and will mean less recruitment of clients throughout the state.

The Job Training and Employment Service programs' performance measure targets negotiated with the House Finance subcommittee will have to be cut to correspond to the reduction in services to Alaskans. These impacts will likely occur in rural areas where needs are the greatest but outreach is more time consuming and expensive.

The federal Workforce Investment Act (WIA) funding cannot offset the loss of our general funds. State costs not eligible for WIA administrative funds must be covered by general funds. The administrative funding cap under the old Job Training Partnership Act (JTPA) was 15%. That cap was dropped to 10% when WIA replaced JTPA with expectations that the states would make an effort to pick up the difference. In addition, the 03 budget for WIA has been cut by 15%, which will result in even fewer administrative dollars.

With the HB 40 consolidation the legislature challenged us to find efficiencies. The department joined the Employment Service program and the Job Training program, consolidating management positions where appropriate and opening new joint offices. In this manner, more services are provided in more locations to more Alaskans. Flat funded since 1994, the Employment Service has absorbed annual inflation costs.

The subcommittee's reduction will impede further efforts to develop efficiencies with these two major employment and training programs. The Employment Service and Job Training programs bring to the State of Alaska $37,381,100 in federal funds. Prior to the House finance subcommittee's elimination of our general funds these two programs had combined General Funds of $512,300. That equates to less than two tenths of 1% (.014%) of the federal funds.

While the nation is still in a recession and Alaska is experiencing fisheries disasters and the loss of oil production related jobs, the state should be increasing investments in career education, training and services. These reductions taken together will make a significant impact on Alaskans and employers at a very bad time.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Labor Relations Agency	($3,700)	General Fund

Impact Title: Reduce Labor Relations

Impact Analysis: The House Finance Subcommittee's proposal would reduce the work hours of its Administrative Clerk. When the Clerk is absent, the three remaining staff would be required to stop work on their caseloads, greet the public, answer phone calls, and perform other necessary clerical tasks. The Agency compared the impact of this alternative to the impact of further reducing or eliminating several non-personnel items, such as postage, subscriptions used to conduct necessary legal research, or copy machine maintenance. The Agency concluded these items were needed to perform basic, required functions.

Travel has been reduced from $30.0 to $13.0 in recent years and for the first time in agency history, the board's three-member panel could not afford to travel to a hearing in Southeast Alaska in January 2002.

Five years ago, the Board conducted four meetings per year. It will need to consider reducing the frequency from the current two meetings to just one per year providing less opportunity for the public to discuss issues with the Board informally. This impacts the Board's ability to carry out the Legislature's declared statutory policy of promoting "harmonious and cooperative relations between government and its employees and to protect the public by assuring effective operations of government." AS 23.40.070.

Program:	Dollar Amount(s):	Fund Source(s):
Occupational Safety and Health	($222,700)	General Fund

Impact Title: Eliminate Funding for Oil Safety and Development Initiative

Impact Analysis: The House Finance Subcommittee’s action deletes one new industrial hygienist position in Anchorage, and one new electrical inspector in Anchorage. These would do safety and health inspections on new and existing wells and drilling projects. Workplace safety at aging oil and gas production facilities on the North Slope and in Cook Inlet are serious concerns.

Department of Law
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 8, 2002
Prepared by: Kathryn Daughhetee

The House Finance Subcommittee's budget reduces the Department of Law's general fund request by $2,465,400 from the governor's amended budget request. $1,563,500 represents a reduction from our budget in FY 02. The most critical pieces of the $2,465,400 general fund reduction are summarized as follows:

1. $680,000 in denied salary cost increases, which are unavoidable without severe reductions in staffing levels since 71 percent of the department's budget is for payroll costs. This amount represents the combination of the FY 03 negotiated salary increases for state employees, and reclassification costs to provide better equity in pay, career advancement options, and reduce the high turnover in agency's law office assistant positions.

2. $531,700 in denied funds related to the fiscal impacts of new crime laws associated with victim restitution, drunk driving, and therapeutic courts.

3. $942,500 in unspecified cuts to the three primary units in the Department: Criminal Division, Civil Division, and Oil & Gas Litigation.

The above cuts, plus additional targeted cuts, are discussed below. A large portion of the department's funding is provided through interagency agreements with our client agencies. We do not yet know how cuts to those agency's budgets will impact Department of Law.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Office of the Attorney General	($465,600)	General Fund

Impact Title: Unallocated reduction in an amount equal to FY 03 labor cost increase

Impact Analysis:
The department is uncertain how to absorb this reduction in consideration of the many other budget reductions discussed hereafter.

"*The mission of the Department of Law is to provide legal services to state government and to prosecute crime*." The combined specific and unallocated budget reductions pose serious questions regarding how effectively our mission can be accomplished. The department is facing directed reductions to its major functions, which can only be sustained through reductions in staff. One option for the unallocated cut would be to further reduce Oil & Gas Litigation and place a much higher certainty on the need to request supplemental funds in FY 03 in order to continue that work. Another option would involve further across-the-board reductions, which would in turn require further reductions in staff and even further limit this agency's ability to carry out its mission.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Criminal Division Third and Fourth Judicial Districts	($250,000)	General Fund

Impact Title: Reduce prosecution attorneys and support staff

Impact Analysis:
The only way to reduce the cost of prosecution is to reduce staff. Furthermore, since many of the division's 14 district attorney offices are staffed by just one or two attorneys, staff reductions will need to be focussed on the Anchorage and Fairbanks offices. At least three attorney positions could be eliminated. This reduction will be made increasingly difficult as a result of the City of Fairbanks' recent repeal of all of its domestic violence ordinances which shifts the burden and cost of prosecution and incarceration from the city to the state.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Civil Division Human Services	($297,800)	Inter-Agency Rcpts

Impact Title: Discontinue the "Balloon Project" which moves children from state custody to permanent homes

Impact Analysis: The subcommittee taking up the Department of Health and Social Services budget has denied the "Balloon Project" increment to that agency. Because Health and Social Services would have transferred funds to this agency for two attorneys, the effects of that action are included in this impact statement**.** The consequence to this agency is the loss of those two attorneys working on permanent home placement for children. As a result of the loss of funds, the Department of Law anticipates that there will be a resurgence of the backlog of Alaskan children in foster care or other temporary home situations awaiting permanent placement. New laws passed in 1998 (Ch. 99, SLA 98) define the timelines within which certain actions must be taken to move these kinds of cases to conclusion more quickly. With the elimination of two attorney positions, those timelines will in all likelihood not be met.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Civil Division Unallocated	($250,000)	General Fund

Impact Title: Reduce Civil Division services

Impact Analysis:
This reduction represents the loss of two attorneys, or one attorney in combination with other paraprofessional and support staff positions. Although the Human Services section funding represents the largest allocation of general funds within the division, a further reduction is not sustainable there because two positions will already be eliminated with the loss of "Balloon" funding discussed previously. Whenever possible, as a matter of priority, we try to protect from cuts those legal services needed to ensure the safety and health of Alaskan citizens. Other general fund services involving employment law, elections, protection of natural resources, legislation, state treasury, and commercial enterprises will be considered for possible reduction. It is likely that some legal services provided on behalf of the Departments of Natural Resources and Fish and Game will be eliminated.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Civil Division & Criminal Division Law Office Assistant Reclass	($214,400)	General Fund

Impact Title: Reduce Law Office Assistant positions

Impact Analysis:
The House Finance Subcommittee did not include requested general funds to pay for the cost of the reclassification of this agency's former legal secretaries to law office assistants. The study was begun in the wake of a grievance filed by the union on behalf of these positions. The grievance was precipitated by an action taken by state government that resulted in a higher level of pay for non-legal secretaries in state government. It became increasingly difficult to recruit and retain competent legal support staff. To complicate matters, the job descriptions were woefully outdated. The classification study commenced in January 2000, was finalized in May of 2001, and implemented the following month. The study clearly indicated that the legal secretaries were inappropriately classified and underpaid. Without the funds to pay for the increased salary costs resulting from the reclassification of 121 support positions, some will have to be eliminated.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Civil Division Collections	($106,500)	General Fund

Impact Title: Deny full fiscal note funding for victim restitution legislation (Ch 60 SLA 01).

Impact Analysis:
As many as 5,000 victim restitution court orders may be sent to the Civil Division for collection as a result of passage of this new legislation. The legislation became effective on January 1, 2002, and the workload related to the task of collecting,

accounting for, and paying out restitution is just beginning to be felt. Because the full amount of requested funding for this process was denied, the victim restitution effort may fall far short of its goal of successfully tracking down convicted criminals and delinquents and making payment to victims who are due restitution.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Criminal Division Third & Fourth Judicial Districts	($104,200)	General Fund
Civil Division Human Services	($148,300)	General Fund

Impact Title: Deny full year funding for new therapeutic court legislation (Ch. 64, SLA 2001)

Impact Analysis:
Therapeutic courts are very resource intensive. Defendants who are accepted into the court agree to enter a program structured for them that is very closely monitored. The court requires defendants to make frequent appearances, and all parties, including the prosecutor, attend these court proceedings. In FY 02, this agency received authority for three new criminal division attorneys, but funding for just a portion of those positions. One attorney for Human Services to handle additional cases anticipated as a result of adding the new superior court judge was not funded at all. Lack of this funding will leave Human Services attorneys further scrambling to cover the caseload, which will be already sharply increased with the loss of the “Balloon” attorneys. Lack of funds to address prosecutions will mean less than adequate prosecutorial involvement in the program, and could jeopardize its success.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Criminal Division Third Judicial District	($168,400)	General Fund

Impact Title: Deny full year funding for new .08 Percent Blood Alcohol Content (BAC) and felony DWI legislation (Ch. 63, SLA 2001)

Impact Analysis:
Passage of stiffer alcohol laws requires new prosecutors in Anchorage to handle the increased drunk driving prosecutions as a result of the .08 percent BAC and the changes to the “look-back” periods for repeat DWI and felony DWI offenses. Failure to adequately fund new staff required by the passage of this legislation will mean the level of prosecution will not meet the public’s expectation.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division		
Human Services	($98,700)	General Fund

Impact Title: Deny paralegal position for Fairbanks Human Services section

Impact Analysis:
Statewide, the Civil Division's largest concentration of staff is in the Human Services sections. This section provides important child protection, juvenile delinquency prosecution, mental health legal services, and protection of senior citizens. The Fairbanks section is the only location without paralegal support services for the Human Services attorneys. This office serves a huge geographical area and the caseload is excessive. Lack of funding for a paralegal will further compromise the ability to meet the timelines established in the 1998 child protection law.

Program:	Dollar Amount(s):	Fund Source(s):
Oil & Gas Litigation and Legal Services		
Oil & Gas Litigation	($442,500)	General Fund

Impact Title: Reduce Oil & Gas Litigation

Impact Analysis:
These funds pay for the cost of litigating the state's oil and gas pipeline-related, tax, and royalty cases. This reduction will result in less money contracted to outside counsel and experts who have historically assisted with a number of ongoing issues as well as new cases. These experts are needed to ensure that Alaska gets its full oil and gas revenues. Further reductions to this appropriation, such as the unallocated reduction of $465.6 to the Attorney General's Office, might result in the need for a supplemental request for additional general funds in FY 03 and beyond.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division		
Governmental Affairs	($120,000)	General Fund

Impact Title: Deny funds for telecommunications representation

Impact Analysis:
Without these funds, the state may lose its legal representation on telecommunication matters in Washington, D.C., before the Federal Communications Commission. Since the passage of the Telecommunications Act of 1996, the focus has been on assuring that the implementation of that Act by the FCC advances the interests of Alaskans. Of particular consequence recently has been the protection and possible expansion of the policies of "geographic rate averaging" and "rate integration." These policies assure that

Alaskans do not pay more for interstate long distance services than other Americans do. These policies are under continuous attack from long distance carriers who want the opportunity to charge prices that reflect costs in each area they serve.

Department of Military & Veterans' Affairs
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Major General Phillip Oates

The House Finance Subcommittee's budget reduces the Department of Military & Veterans' Affairs general fund request by $971,800 from the Governor's amended budget request. Note this reduction includes changing $250,000 general fund to other fund sources with which the department concurs.

Program:	Dollar Amount(s):	Fund Source(s):
Commissioner's Office Unallocated Reduction	($252,000)	General Fund

Impact Title: Close Alcantra Army National Guard Armory, Eliminate State National Missile Defense Coordinator and reduce travel and supplies.

Impact Analysis:
The House Finance Subcommittee's proposed unallocated reduction in the Commissioner's Office will result in the closure of the Alcantra Army National Guard Armory and the elimination of the State National Missile Defense Coordinator position.

The department realizes that there may be an interest in reducing administrative or travel costs before taking any program reduction. Consequently, DMVA examined other areas to reduce costs before looking at programs.

The department is heavily federally funded and requires general fund matching dollars to maintain federal funding levels. The Commissioner's Office has already reduced costs by sharing its administrative services through a Shared Services Agreement with the Department of Natural Resources.

During the legislature's five-year plan, the Commissioner's Office consistently reduced its budget. In FY2000 alone, $87,700 was reduced in administrative and travel costs. After reviewing all areas for potential reductions, only a small reduction in travel and supplies can be identified below. These budget cuts have left little to reduce without eliminating programs.

1. **Close the Alcantra Armory** and eliminate the presence of the Alaska Army National Guard in the Matanuska-Susitna Valley. This action is the most reasonable response to the proposed reduction because National Guard facilities at Fort Richardson offer an alternate location for the military organization that occupies the Alcantra Armory. This is not a good solution but services and training could be handled out of the alternate facilities. Closure of any other armory is not feasible because no other facility has a suitable alternate site.

The Alcantra Armory is the home of the headquarters of the 297th Support Battalion, a unit well suited to respond to natural or man-made disasters, as evidenced by its being the focal point of the National Guard response to the Miller's Reach Fire. The Armory is the work site for fourteen full-time Army National Guard soldiers. Seventy-nine traditional National Guard soldiers drill at that Armory. The full-time annual payroll for the staff is $774,672. Closing this work center will result in moving these National Guard soldiers to Fort Richardson where they will work in the already over-crowded Anchorage Armory.

This closure will increase the time of response for the Alaska National Guard and Division of Emergency Services to protect the residents in Wasilla and the surrounding area from emergencies and disasters. It will, therefore, have a negative impact on a fundamental constitutional and statutory responsibility of the Department of Military and Veterans Affairs to protect citizens in one of the fastest growing areas of Alaska.

In addition to losing valuable response time for Valley emergencies by having the unit headquartered in Anchorage, many of the members of the organization will face a significant commute to and from work. The communities of the Valley will also feel the loss of a facility that hosts a large number of community service events. The members of the unit are also active in several community events .

The department intends to either sell or lease this facility if this reduction is approved by the full legislature. In addition to the closure of the Alcantra Armory, reductions in supplies and travel will occur in Army Guard Facilities Maintenance Division.

2. **Eliminate the State National Missile Defense Coordinator Position and travel**. This position was established in SFY02. If the position is eliminated, this loss will occur at the exact moment when Alaska has the opportunity to derive significant benefits from the Pacific Region Missile Defense Test Bed that will have key elements and infrastructure at Fort Greely, Clear Air Station, Shemya, and Kodiak. Bringing new technology, jobs and greater military relevance to Alaska are significant priorities of the Department of Military and Veterans Affairs, as reported in a recent letter to the Chairman, DMVA House Finance Sub-Committee on February 6, 2002. The position of State National Missile Defense Coordinator is critical now because construction will begin in June 2002 to establish the test bed and reopen Fort Greely by September 2004.

   The following adverse impacts will occur:
   (1) Less coordination of areas of interest to the State will take place between Alaska institutions - state and local government, universities, business, labor, and Native organizations - and the multiple military agencies and defense contractors who will be building missile defense facilities.
   (2) It will be more difficult to meet the nation's compressed construction schedule because of less assistance in coordinating state and federal permits.
   (3) Less advocacy and monitoring of local hire will occur.

(4) Immediate and long-range goals of creating new technology based business opportunities may be lost.

Elimination of this position at the very time construction is getting under way could result in a repeat of the job-related problems that were experienced during construction of the Trans-Alaska Pipeline. Outside contractors and workers will come to Alaska, work, and earn money while many Alaska workers and businesses are left on the sidelines. The criticality of this position in SFY03 is driven by the fixed and accelerated time mission to build the Pacific Region Missile Defense Test Bed in Alaska. After the test bed is completed, the position could be considered for elimination in the second quarter of FY 2004.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska Military Youth Academy (AMYA)	($240,000)	General Fund

Impact Title: Deny funding for Alaska Military Youth Academy Graduate Stipends

Impact Analysis:
The House Finance Subcommittee did not approve the Governor's amended budget request for the payment of stipends. Without specific funding for the stipends the AMYA will be unable to pay stipends from the existing budget without laying off staff. The payment of stipends is essential to Phase III of the program—the twelve months after graduation.

Accommodating the stipends from existing resources will result in the lay-off of most divisional staff, except for some staff in admissions and headquarters, between classes for as long as it takes to make up the required amount. (The Academy operates year round having three full classes at any one time while processing a fourth class of up to 300 applicants. During the short break between residential classes, the staff conducts recovery operations and mandatory staff training, processes applicants and prepares for the execution of a new pre-challenge phase.)

However, if legislative changes are passed that would provide funding to the AMYA under the DOE foundation program, the AMYA Governor's amended budget could be fully funded on a per student basis as a fiscal note to the bill.

Background:
Every year since its inception the Alaska Military Youth Academy (AMYA) has paid a graduate stipend. The federal grant allows for a $2,200 stipend to be paid to each graduate that meets the criteria set forth in federal guidelines. The problem of inadequate funding occurred when sources of revenue failed to produce anticipated amounts.

The purpose of the graduate stipend is to support the cadets' post-residential action plan that is developed during the residential phase in coordination with program staff and volunteer mentors. It is intended to pay for continuing education and or vocational/skills training, leading to a "placement" after leaving the highly structured residential phase. Successful transition from this rigorous training program to the real world is an integral part of the successful model. The Alaska Military Youth Academy currently operates Alaska's largest mentorship program.

Calculation of Amendment Amount:
Historically the Federal base grant allows for a stipend payment of $2,200, which is distributed incrementally based on certain conditions as specified in the federal guidelines. The amendment request assumed that the State of Alaska would pay a stipend amount of $1,500, due to budget constraints. To pay each cadet the proposed stipend of $1,500, an FY03 amount of $300,000 would be needed; however, only cadets that complete all of the stringent reporting and program requirements of Phase III receive the entire stipend. The AMYA estimates 75% of Phase II graduates will complete all of the Phase III requirements, resulting in a need of $240,000 to fund stipends.

This funding would have allowed the AMYA to continue providing payment of the graduate stipend, which enhances opportunities for AMYA graduates to become successful citizens during the Phase III portion of the training cycle. It would also help the AMYA follow the National Guard Bureau (NGB) policy as outlined in the Master Youth Cooperative Funding Agreement that calls for the provision of stipends with the amount unspecified but not to exceed $2,200.

Failure to pay graduate stipends in FY03 may result in:
- A drop in enrollment into the program as the graduate stipend is a BIG incentive to the enrollees.
- Future funding levels may be reduced. The AMYA multi-award winning mentorship program may have fewer cadets comply with reporting requirements, lowering the success rate. The success rate is one of the statistics used by the NGB to secure future ChalleNGe funding.
- Less compliance during Phase III means there is less contact between the mentor and the graduate to make sure they stay with their education and career plans. A critical element of the program is meeting the "after-care" program reporting requirements and increases the chance of success for the student.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Guard Member Educational Benefits	($22,500)	General Fund

Impact Title: Deny request for Guard Member Tuition Assistance

Impact Analysis:

The House Finance Subcommittee denied an increment request for the Educational Benefits component for $22,500 to provide tuition assistance for guard members attending institutions other than the University of Alaska. These funds are used to provide promotional and educational opportunities for Guard members.

In the last two years, $28,500 in general fund tuition assistance has been made available for reimbursement of 100% of tuition and fees to guard members attending institutions other than the U of A. In both those years, requests for tuition assistance from guard members under this program amounted to $96,000 per year. The demand for this popular program far surpasses the available funding, resulting in many guard members not being able to access supplemental educational funding. Most of the affected students work full-time, drill on weekends and fit college into their schedules in the evenings. These courses are available at the convenience of the student.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Retirement Records Administration	($60,000)	General Fund

Impact Title: Eliminate Request for Retirement Records Administration

Impact Analysis:
The House Finance Subcommittee denied an increment request for the National Guard Military Headquarters component of $60,000 for the management of all state retirement records for Air and Army National Guard employees. Currently, there is no State of Alaska employee to manage this state program.

The Air and Army National Guard maintains an active record base of over 3800 members. They also maintain over 108,000 inactive records. The scope of state records management is extensive. Each time a personnel action occurs during the career of an Alaska National Guard member, a corresponding change must occur in that person's state retirement record. Records management also encompasses calculation of retirement eligibility, performing periodic state records audits, and writing and filing any state awards.   Perhaps the most critical duty in records maintenance is calculating accurate retirement points for computing guard members retirement benefits. Many of these records transactions take hours to accomplish. Federal employees, to the detriment of their primary duties, have performed these actions to date.

It is critical to hire a State of Alaska employee to administer this state program. If not funded, state retirement information for Guard members will continue to be a burden on federal employees that maintain the records when they can. Lack of adequate attention to these records has the potential to cause late retirement payments to members of the Guard.

Department of Natural Resources
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Pat Pourchot

The House Finance Subcommittee's budget reduces the Department of Natural Resources general fund request by $4,716,800 from the Governor's amended budget request. Note this reduction includes changing $652,200 general fund to other fund sources with which the department concurs.

Program:	Dollar Amount(s):	Fund Source(s):
Parks Management	($1,016,100)	General Fund Program Receipts

Impact Title: Closure of State Parks

Impact Analysis:
Parks Management is the part of the DNR budget that pays for and operates the 121 units of the Alaska State Park system. The House Finance Subcommittee for the Department of Natural Resources has passed a $1,016,100 cut to the State Park operating budget. This will have a significant impact on the number of park units open to the public. However, the Subcommittee has also recommended to the full Finance Committee that they introduce legislation to move Park user fees to a budget category called "Receipt Supported Services." This legislative funding procedure would remove Park user fees from the general fund category and reinstate the funding as a fiscal note. The Department of Natural Resources is supportive of this action.

However, without the certainty of this change to receipt supported services legislation, Parks is forced to respond to the Subcommittee's $1,016,100 million reduction in funds for park operations.

The legislature has identified three measures by which the success of the Division of Parks & Outdoor Recreation will be measured:

1. Number of Park Visits
2. Percentage of Park Facilities Open
3. The Level of Deferred Maintenance in State Parks

A budget reduction in excess of $1 million to park operations will negatively impact our ability to meet these measures. The impacts are many, beginning with closing the facilities (campgrounds, boat launches, toilets, picnic sites) at 28 park units.

Any business that cuts 19% of its budget is going to deliver fewer services. In the Division of Parks & Outdoor Recreation, that only means one thing…fewer park facilities. In determining which park units to close, the following criteria were used:

1. Spread the cuts across the state so one region of the state is not hit more than others.
2. Within each region, choose those park units that have relatively low visitation.
3. Within each region, choose those park units that have a relatively low income from user fees.
4. Within each region, choose those park units that have a relatively high cost of operations.

Based on these four criteria, the Division of Parks & Outdoor Recreation proposes to close all of the following park units to meet the subcommittee's $1,016,100 budget reduction.

Impacted Sites
Kenai: Captain Cook, Kasilof River, Johnson Lake, Clam Gulch, Anchor River, Stariski Creek.

Northern Area: Lower Chatanika, Chena Recreation Site, Birch Lake, Harding Lake, Salcha River.

Mat-Su Area: Finger Lake, Kepler Bradley, King Mountain, Long Lake, Mat-Su Glacier, Big Lake North, Big Lake South, Rocky Lake, Hatcher Pass, Independence Mine, Summit Lake.

Southeast: Old Sitka, Castle Hill, Halibut Point, Settler's Cove, Refuge Cove, Grindall Island.

Closing park units will consist of a barricade across entrance roads, removal of signage and picnic tables, and boarding up outhouses. In some instances, boat launch facilities paid for with federal fishing and boating access funds will remain open, but no amenities (outhouses, picnic tables, security) will be provided. The one-time cost of placing the facilities in these 28 park units in a closed status is $626,000 which would have to be provided in the capital budget. The net "savings" for FY2003 is therefore only $400,000 although future budgets would have the full million-dollar reduction.

Closing these 28 park units will result in a significant drop in the legislative measure that counts the number of visits to the park system. Based on use levels from 2001, the park system will receive almost 1.1 million fewer visits. And the second legislatively mandated directive, keep 100% of the parks open, will change to 77%. Any opportunity to address the deferred maintenance measure (last calculated at $42 million in 2001) will be eliminated. Additionally, we predict that the asset value of state park facilities will be severely degraded. Therefore this cut results in the inability of the Division of Parks to meet any of the three Park Management measures set by the legislature.

The greatest impact will be to Alaskans that are no longer able to access their favorite place to camp, fish, hike, or picnic. Alaskans are adamant about having access to the outdoors for recreation. This is exemplified by the fact that the state park system receives over 4 million visits a year and 80% of those visits are from Alaskans. Alaska State Parks are where Alaskans recreate. Alaska has one of the highest outdoor recreation participation rates per capita in America. And Alaska State Parks provides those road accessible recreational opportunities complete with campgrounds, toilets, garbage service, trailheads, roads, and both motorized and non-motorized trails. All these opportunities will be lost in those park units identified for closures.

The Governor's priorities include a focus on jobs and economic development, both of which will be impacted by these park closures. The impact of these closures on local communities is going to be tremendous. Smaller communities like Anchor River, Kasilof, Big Lake, and Nikiski are directly dependent upon their local park units to bring people to the area to purchase local products like gas, lodging, food, supplies, and fishing tackle. Larger communities like Palmer, Sitka, and Ketchikan not only depend upon their local park systems for economic benefits, but also use them as local recreational outlets. Parks are not a luxury. They are a necessary component of a healthy community by providing places for families to be outdoors together, for teens to participate in healthy outdoor activities, and for anyone needing a place of solace. Parks provide opportunities for positive mental health as well as providing for physical activity. With obesity one of the nation's biggest health problems and Alaska ranking near the top of all the states, parks are an absolute necessity for a healthy population.

Park staff are integral members of their local communities. Most parks are away from large population centers. They are, by nature, in areas of lower population that can provide for fishing, hunting, wildlife viewing, and camping. And jobs in those local communities are vital to the continued viability of local businesses. These cuts will result in 30 summer seasonal staff and 11 additional permanent park staff losing their jobs. An additional two staff will see their seasons cut in half. The loss of this income to local communities, along with the loss of income from other state workers losing their jobs, will be felt by local businesses. Those park positions that would be cut include:

Staff Reduction Detail by Area

Kenai: Eliminate Captain Cook Ranger, Coastal District Ranger, Anchor River Ranger, 12 Alaska Conservation Corps (ACC) positions. (Reduce Kasilof Ranger to 4 months).

Northern Area: Eliminate Chatanika Ranger, Harding Ranger, 6 ACC positions.

Mat-Su Area: Eliminate Mat-Su District Ranger, Mat-Su Ranger, Hatcher Pass Ranger, Hatcher Pass Nat. Res. Tech, 8 ACC positions.

Southeast: Eliminate Sitka Ranger, Ketchikan Nat. Res. Tech., 4 ACC positions (Reduce Ketchikan District Ranger to 6 months).

Some may say we are creating this list just for maximum impact in order to save our budget. That is not the case. Using the criteria for selecting units, Parks plans to keep open those units with the most visitation, e.g., Deep Creek, Willow Creek, Quartz Lake, Kenai River, Crooked Creek, Nancy Lakes, & Chena River. The units selected here are what Parks will have to close if this budget reduction is ultimately adopted by the legislature. Parks does not want to close parks. We have no alternative given the proposed level of budget cuts. Should the full House Finance Committee pass the legislation and fiscal note moving park fees to "Receipt Supported Services," and thus reduce the Department of Natural Resource General Fund allocation by $2 million, these cuts could be avoided.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Park Management:	($450,000)	General Fund
	($250,000)	General Fund Program Receipts
	($ 20,200)	General Fund
	($ 40,700)	General Fund

Impact Title: Eliminate the Increments to Improve Park Maintenance, Safety & Fee Collection; Fund Increased Fuel and Radio Communications Costs

Impact Analysis:
One of the three measures by which the legislature evaluates the success of the Division of Parks & Outdoor Recreation is its ability to reduce the deferred maintenance backlog. In 2001, that backlog was identified at $42 million.

In response to the need to improve maintenance in state park facilities, the Division of Parks & Outdoor Recreation proposed a $700,000 ($450,000 General Fund and 250,000 General Fund Program Receipts) increase in its operating budget to add more staff time to maintenance needs.

Improving maintenance has the following benefits to the over 4 million park visits each year.

1. Improved safety of the visitor. Some outhouses are so old that the floors are breaking through. Two years ago, a visitor fell through a rotten outhouse floor. Roads are very bumpy and can cause discomfort to riders and damage to vehicles. Attention to routine maintenance can improve the safety for park visitors.
2. Increased visitation & fees. As the parks are improved, more people will visit. This helps us meet one of the legislative measures of park success. More visitors means more revenue to increase the percentage of the park budget supported by user fees.

3. Increased support for local economies. Safer and better-maintained parks will see increased visitation which, in turn, will bring more people to the local businesses that rely on parks. Local communities supply items like fishing tackle, ice and food, gasoline, lodging, restaurants, & guides.
4. Better volunteer recruitment. The Division of Parks is experiencing a downturn in campground hosts. The reason given is that some of our parks are so broken that no one wants to host as all they will do is answer complaints about poor facilities and spend all their time doing maintenance. In addition, park host facilities in state park units are underdeveloped, so we are losing some campground hosts to other federal and state park systems that provide better host amenities (like holding tanks, phone).

Providing a consistent presence in the park units for maintenance, fee collection, visitor safety, and resource protection creates a safe and comfortable atmosphere in which visitors can have a positive recreational experience. Maintaining this presence requires trucks, ATVs, snowmobiles, and boats, all of which require gasoline. With the cost of fuel increasing, the ability to sustain a minimal presence is decreased which impacts Park staff ability to provide visitors with a safe and enjoyable experience.

The division relies heavily on radio communication through base stations, mobile units, and repeaters. In many areas, no other form of distance communication is feasible. This function cannot be cut. However, the costs for these services have increased by $40.0. Funds necessary to meet this cost increase will have to be reprogrammed from other parts of the Parks budget resulting in a reduced ability to maintain facilities. The impact is a further deterioration in the condition of Alaska's Park system.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Forest Resource Management	($750,000)	General Fund
	$250,000	Timber Sale Rcpts

Impact Title: Value-added timber sale program cuts

Impact Analysis:
The House Finance Subcommittee's proposed cuts are a net decrease of $500,000 to the value-added timber sale program. This is about a 28% cut to the timber sale program.

- Impact on missions and measures. This cut will mean we will be unable to meet the targets for
  - the volume of state timber offered for sale,
  - the volume of state timber sold,
  - the volume of state timber offered for in-state companies and converted to value-added products,
  - the acreage of infested or diseased timber offered on state land,
  - the acreage of infested or diseased timber sold on state land.

- <u>Scale of program cuts</u>. A 28% cut in the timber program equates to
  - Decreasing the amount of timber offered by 8-9 MMBF per year.
  - Decreasing the number of sales offered by 20-22 sales per year.
  - Providing timber to 12-14 fewer Alaskan businesses per year
  - These reductions are estimated to result in the elimination of 15-20 private sector jobs associated with harvesting, and additional jobs in reforestation and processing.
  - Eliminating 6-8 full-time equivalent (FTEs) positions from the timber sale program

- <u>Location of impacts</u>. Program reductions would have to focus on timber sales in interior Alaska, and salvage sales in southcentral Alaska.

- <u>Revenue</u> differences force cuts to the interior. The average revenue per thousand board feet sold in southern southeast last year was three times that in the Interior. DOF would have to continue southeast sales to earn the full amount of timber sale receipts authorized. Failure to gain the full amount of program receipts would magnify the effects of the proposed cut.

- Timber <u>demand</u> is highest for state sales in southern southeast Alaska. In recent years, timber sale offerings exceeded purchases in several areas of the state due to weak markets and reduced timber quality in areas infested by spruce bark beetles. Only a third of the timber offered in the Fairbanks area was purchased. In the absence of new markets, the sale volume is unlikely to increase significantly. Large salvage sales for beetle-killed timber have also gone unsold because of weak export markets for chips and pulp. In contrast, all the sales offered in southern southeast Alaska sold.

- <u>Reforestation costs</u> also direct budget cuts to interior Alaska. Timber harvest areas in southern southeast regenerate naturally, whereas site preparation and planting are needed on most interior sales to ensure adequate regeneration to meet the Forest Practices Act standards. Because reforestation is required by law, DOF must ensure that we don't offer sales in the interior that we can't afford to reforest.

- <u>Impact on value-added program</u>. The state timber sale program focuses on providing timber to local businesses for value-added processing. In recent years, virtually all non-salvage sales were to local businesses. State timber fills a niche in the timber market that neither federal nor private timber suppliers meet.
  - Under the proposed cut we would provide timber to 12-14 fewer businesses per year, and jobs associated with these businesses would be lost.
  - To ensure that the Division can generate sufficient timber sale receipts in the face of a 28% cut in general funding, some southeast sales may have to be offered on the export market, further reducing supply to in-state businesses. The annual allowable cut for southern Southeast totals 12.8 million board feet. The Division's goal is to offer the full allowable cut annually, and we design sales to

meet the needs of in-state businesses. To raise the timber sales revenue at the same time that sale volumes are reduced by a budget cut, DNR would need to sell 2 to 3 million board feet of timber from southern Southeast on the export market. This would divert about 16-23% of the allowable cut from local processing to export, reducing the number of jobs supported by state timber. This loss of timber for domestic processing would occur in the area where demand for local timber is highest.

- In FY02, DOF is using timber sale receipts to remove barriers to value-added timber sales – we are maintaining or expanding accessible areas for forest management by building stream and railroad crossings and maintaining key roads. With the loss of basic resource management staff and timber sales associated with the proposed cut, DOF couldn't remove these barriers to forest management, and sales would be limited to areas with existing access. Forest access also benefits hunters and recreationists, and these benefits would also be lost.

- Forest health. Recent spruce bark beetle infestations have highlighted the susceptibility of older, uniform forests to insects and disease. To reduce forest health hazards, we must ensure that we have a mix of stand ages and forest types. These same conditions also benefit wildlife. In many areas, wildfire naturally provides diverse stands. However, near communities all wildfires are suppressed to prevent loss of life and property, and the risks of using prescribed fire are great. The best tool to maintain diverse stands near communities is active forest management. The proposed cut significantly restricts our ability to use forest management to break up uniform areas of older timber thus increasing susceptibility to forest health problems, degrading wildlife habitat, and increasing the risk of severe wildfires near communities.

- Type of funding affected. About 82% of the resource management budget is in personal services. Most of the non-personal services funding is contractual money for reforestation. We are required by law to reforest harvest areas, and reforestation funding is already short, so a disproportionate amount of the cut must come from personal services. Excluding reforestation funding, 90% of the resource management budget is personal services.

Program:	**Dollar Amount(s):**	**Fund Source(s)**:
Oil and Gas Development	($250,000)	General Fund
Mining, Land & Water	($190,000)	General Fund

Impact Title: Reduced funding of the Oil Safety & Development Initiative

Impact Analysis:
The House Finance Subcommittee proposes to reduce DNR's Oil Safety & Development Initiative increment request from $690,000 to $250,000. The Department

of Natural Resources has three increment requests (one in the Division of Oil and Gas and two in the Division of Mining, Land and Water) whose purposes are to maximize revenue from oil and gas leasing and production. Full funding of these increments will result in accelerating the issuance of leases, faster project permitting, and better onsite management of the state's oil and gas assets. The increment will also provide for a reservoir engineering position to help assure that the state's economic interests are better protected in Alaska's 42 oil and gas units. If fully funded, these increments will result in the state receiving over $10 million in delayed or deferred lease bonuses and potentially millions of dollars of additional oil and gas royalty. This increment also would increase promotional efforts to bring new explorers into Alaska and allow the department to increase its efforts in support of opening up ANWR.

Without the rest of the increment, the leasing program would continue to have ever increasing delays with the associated millions of dollars of lost or deferred lease bonus and rental revenue. Programs, such as shallow gas leasing and exploration licensing, which bring in less immediate revenue would be drastically delayed. Last year, delays cost the state approximately $10 million in deferred or lost revenue. These delays also have the potential to postpone exploration drilling and other exploration activities on state land.

Full funding for these additional positions is needed because of the success of our oil and gas leasing and licensing programs and the resultant new exploration and development activity. Full funding of these increments will bring in significantly more direct revenue to the state than the cost of the increment and will provide for better management of our invaluable oil and gas resources.

If the increments are only funded at $250,000, DNR would choose to fund the Petroleum Reservoir Engineer as opposed to the leasing positions because it would return the most revenue to the state. With the remaining funds, the department would look at filling a permitting/inspection position within the Division of Oil and Gas.

The need for the Petroleum Reservoir Engineer is due to the radical technical advancements in the oil and gas industry and the department's need to manage an ever-increasing number of oil and gas units (currently 42 statewide). The Division of Oil and Gas' ability to negotiate and protect its fair royalty share from production in these units is directly related to the ability to analyze complex reservoir data. Even a small change in the technical interpretation of one reservoir within one unit typically means the difference of millions of dollars. A Petroleum Reservoir Engineer would be dedicated to performing reservoir evaluation in support of approving and managing units and participating areas, royalty negotiations, paying quantities determinations, analysis of plans of development, and preparing for major North Slope gas sales. A Reservoir Engineer in this position will make the difference in millions of dollars of revenue to the state.

Under the subcommittee's recommendation, beyond funding the Reservoir Engineer the remaining funds are adequate to only fund one permitter/inspector and associated operating expenses. Not funded are the second permitter/inspector, which means either Cook Inlet/Mat-Su or the North Slope lacks the needed permitting and onsite management. On the North Slope, increased activity further from infrastructure (North Slope Foothills, NPRA, and Pt. Thomson) means an increasing Slope-wide permitting workload and field presence is required. Shallow gas leasing, exploration licensing and new oil and gas units in Cook Inlet and Mat-Su also need both permitting and field presence. Current efforts in Cook Inlet and Mat-Su are extremely limited due to staffing levels and North Slope priorities.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
RS2477/Navigability Assertions & Litigation Support	($115,000)	General Fund

Impact Title: Eliminate support for the state's rights on navigability and rights-of-way (RS 2477)

Impact Analysis:
The House Finance Subcommittee proposes elimination of all funding for the RS2477/Navigability component. This component funds activities associated with defending and asserting the State's rights under RS 2477 and navigable and public waters. Of the $115,000 for this program, $40,000 is for RS 2477 and $75,000 is for navigability. Elements of the RS 2477 program are covered through other programs, such as rights of way and easement vacations. In the case of navigability, this funding is the sole funding source for the Department.

NAVIGABILITY. Elimination of the $75,000 funding for DNR's program will eliminate DNR's sole navigability staff. It would eliminate the following functions:

1. Review of Federal Actions. The cut would mean that the federal government would issue conveyances to Native Corporations and other private landowners or take other actions without the benefit of the State asserting its rights to the beds of navigable waters. Asserting the state's rights is important for two reasons: first, the Public will be ensured access to these state lands; and second, if the beds of navigable water bodies are already owned by the State of Alaska, they shouldn't be counted against Alaska's statehood land entitlement or conveyed by the Federal Government to non-state ownership. An example of other federal actions is their assertion that certain state mining claims are invalid because the waterbody is not navigable.

2. Litigation Support. Eliminating these programs mean that research would not be conducted in support of ongoing litigation by the Department of Law for purposes of appeal or assertion as well as responding to civil actions brought against landowners by third parties.

3. Public Inquiries/Requests. Eliminating these programs mean that staff would not be available to respond to requests by the public for determinations of navigability.

RS 2477. The state spends much more than $40,000 on the assertion and management of known RS 2477 easements. Eliminating this funding source means that DNR will curtail any research into RS 2477s that are not already identified, not be able to support ongoing or new litigation, and further reduce DNR's already slow response rate to issues related to user conflicts, easement management, and vacations. Actions identified for navigability above, including review of federal actions, litigation support, and public inquiries/requests, also apply to RS 2477s.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
RS2477/Navigability Assertions & Litigation Support	($300,000)	General Fund

Impact Title: Eliminate the Easement Management Increment

Impact Analysis:
The House Finance Subcommittee proposes to not fund this requested increment which would allow DNR to adequately respond to public requests to locate, relocate, and vacate RS 2477 and other easements. DNR has been underfunded in this area for years and our response to citizen's requests for action has been unacceptably slow. Furthermore, when we do respond it occurs at the expense of other income-producing work done by the Division.

Public demand for DNR action has dramatically increased since over 600 RS 2477s were listed in statute several years ago (AS 19.30.400-415). The division is experiencing a large number of requests to assert RS 2477s as well as other easements and rights-of-way, to define exact locations for previously asserted easements, and to review alternative routes or vacate existing easement routes altogether. The demand for staff time to resolve these issues is large, ever-increasing, and extremely under-budgeted. Issues needing resolution by DNR are focused in two areas: 1) conflicts among users and 2) requests for vacations and/or relocations of RS 2477 easements.

1. USER CONFLICTS. A significant and growing problem is the number of conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way. Resolution is time consuming and any response by DNR takes staff away from those programs that are funded (such as leasing and permitting) and that typically derive revenues for the State. Without this increment, the public will not be served in terms of direct responses to their requests for assistance. Furthermore, if conflicts are not resolved, it is possible that easements will not be used and thereby put at risk the establishment of valid and continuous use of routes through private properties and federal withdrawls.

2. EASEMENT VACATIONS AND/OR RELOCATIONS. The law requires DNR to use great care in vacating an RS 2477 right of way and has certain conditions that must be met prior to approval of the vacation, such as adequate and constructed alternative access. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine whether the route meets the RS 2477 criteria, how certain the physical location is, whether a survey or other location method needs to be performed, and whether a realignment can occur or if there is a need to vacate the easement altogether. Without this increment, response to easement vacations will be very slow, thereby exacerbating the continued conflict among users and landowners.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Commissioner's Office	($338,100)	General Fund

Impact Title: Unallocated reduction

Impact Analysis:
The House Finance Subcommittee's proposed unallocated reduction of $338,100 is extremely difficult to assign given that the department has been faced with an ever-increasing workload. Over the past five years we have implemented many efficiencies. We streamlined processes, collapsed management structure, implemented early retirement programs, and suggested statutory changes where appropriate. What we have left is a very dedicated staff that is attempting to meet the workload demand. The various programs and services we provide have been reviewedfor funding with their own revenues sources. The two remaining significant programs where this has not occurred are Parks and Forestry, and in this year's House Finance Subcommittee proposal, these programs are proposed for significant budget reductions.

Our remaining alternative is to take reductions in areas where positions may come open. The impact of this is that economic development will slow down as permits are delayed, jobs will not be created, and the state is likely to lose more revenues.

We realize that the legislative budget process is on-going and we hope to convince the legislature that our programs are important enough to be funded at the requested level. If the legislature insists on a reduction of this size we plan to work with them to identify specific program reductions that will have the least impact on economic development, job creation, and revenue enhancement.

Program:	**Dollar Amount(s):**	**Fund Source(s)**:
Gas Pipeline Office	($204,400)	General Fund

Impact Title: Gas Pipeline non-reimbursable expenses

Impact Analysis:

The House Finance Subcommittee's proposal did not approve the Department of Natural Resources increment requests of $204,400 for support of our Gas Pipeline Office. The purpose of our request was to fund those activities in the Gas Pipeline Office that are vital to maintaining the State's financial and other interests in the pipeline but are not eligible to be reimbursed by the industry. These activities are a continuation of those performed in FY02. In FY02 the state provided the General Fund for these activities through an appropriation with Legislative Budget & Audit Committee.

Without these funds the Gas Pipeline Office cannot perform the following activities that are not directly reimbursable by the industry:

- A small percentage of time and travel to allow Gas Pipeline staff to perform work related to policy considerations, legislation, and strategy for North Slope gas to market issues. Their activities are not specific to a Right-of-Way (ROW) lease application, permitting, or specific industry-sponsored projects.

- A small percentage of time and travel to allow Gas Pipeline staff to coordinate with federal agencies, e.g., U.S. Department of Energy, U.S. Department of Interior, Federal Energy Regulatory Commission, and with their Canadian counterparts regarding gas pipeline issues in Alaska not specific to a ROW lease application, permitting or specific industry-sponsored projects.

- General office administration (budget preparation and tracking, RSA management, etc.) and personnel management (recruiting, personnel evaluations, etc.) not directly related to a specific ROW lease application, permitting or specific industry-sponsored projects.

- Personal services to implement a Geographical Information System that will serve as a platform to organize land title, land status, hydrological, archaeological, geological, and other data related to a gas pipeline route through Alaska.

- Specialized training required for agency liaisons related to gas pipelines and a natural gas transportation system in Alaska.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Gas Pipeline Office	($125,000)	General Fund

Impact Title: Deny funding for Gas Pipeline Contractual Expertise

Impact Analysis:
1. The House Finance Subcommittee denied $75,000 funding for a requested North Slope Gas Pipeline Valuation Practices study. Currently, valuation for royalty purposes is governed by the terms of state leases, and valuation for tax purposes is governed by

statutes and regulations. The Division of Oil and Gas, Dept. of Natural Resources, which sets and administers the royalty terms of state leases, wishes to retain a contractor to gather and analyze the royalty valuation provisions and practices used by other governments, such as Alberta, the U.S. federal government, Texas, Louisiana, Wyoming, Colorado, and Oklahoma.

The information from this study would be used in gasline negotiations initiated by the producers in 2001-2002. The impact of not funding this study will not be felt until gas flows through the gasline. From that day forward, the loss to the state could be substantial if valuation is too low or deductions are too high. For example, every $0.10 per mcf difference totals $20 million per year in additional state royalties.

2. The House Finance Subcommittee denied $50,000 funding to the Gas Pipeline Office for the Department of Revenue to contract with experts on international oil and gas tax issues. Loss of this funding harms the state's ability to ensure Alaska's competitiveness among natural gas projects worldwide. This contract funding would be used to respond to industry requests for "fiscal certainty" regarding the application of state tax and royalty laws to commercialization of North Slope natural gas reserves. Without the assistance obtained through these contracts, the state will not be as well positioned to respond to industry requests for fiscal certainty, perhaps putting the state's best interests at risk in any negotiations.

Department of Public Safety
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Karen R. Morgan, Director, Administrative Services

The House Finance Subcommittee's budget reduces the Department of Public Safety's general fund request by $7,559,700 from the Governor's amended budget request. Up to 23 trooper positions may be eliminated by this budget reduction.

Program:	Dollar Amount(s):	Fund Source(s):
Commissioner's Office	($315,900)	General Fund
(Personal Services Reductions $298,300)		
(Lack of Funding for Year 3 Contract Labor Costs $17,600)		

Impact Title:
Personal Services Reduction

Impact Analysis
The House Finance Subcommittee proposal will reduce the Commissioner's Office funding by 56 percent ($662.8 to $346.9). In addition to the direct personal services reduction of $298.3, the proposal includes an unallocated reduction in the Commissioner's Office of $1,674.9 for the Year 3 Contract Labor costs to be distributed to all affected programs. The Commissioner's Office portion is $17.6.

The Commissioner's Office Budget is primarily Personal Services. Therefore, this reduction would require that 3 positions be eliminated (Deputy Commissioner, Special Assistant, Secretary), and a Regulations Specialist position be reduced to part time status. Travel and support costs would also be reduced.

The primary role of the Commissioner's Office is strategic planning, review, approval and oversight of mission critical public safety service. These reductions would have a negative impact on management of the agency. Impacts would include: reductions to overall management, strategic planning, and oversight; delayed or diminished response to citizen requests for information and response to citizen complaints; delayed or diminished response to legislative inquiries (including bill analysis, fiscal notes, testimony at hearings and general information); diminished oversight of division compliance with statutory and legislative mandates (including missions and measures); diminished oversight of labor issues (grievances, arbitration hearings, negotiation of resolution to problems); and delayed changes to or adoption of regulations.

To maintain critical management oversight of the Department, the functions of the Commissioner's Office would have to be either charged out to line Divisions, or manager(s) from line Divisions would be assigned to the Commissioner's Office and tasked with specific responsibilities of the Office. Either option would further impact duties and responsibilities of line divisions beyond the cuts described below.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Fish & Wildlife Protection	($383,300)	General Fund

Impact Title:
Lack of Funding for Year 3 Contract Labor Costs

Impact Analysis
The House Finance Subcommittee proposal to not fund Year 3 Contract Labor costs will require the division to eliminate 19 seasonal Fish & Wildlife Aide positions. As a result FWP troopers will be required to carry out the aides' work described below, reducing productivity and effectiveness of the more highly trained troopers.

Seasonal F&W Aides provide stakeout and surveillance support for sport fishing, commercial fishing and hunting activities statewide. They provide information for making cases and deterring violations. These employees also act as a necessary second crew member in skiff patrols. Without them, a second field trooper would be required to assist on patrol rather than conducting another separate patrol. Seasonal employees perform routine maintenance on small equipment such as ATVs, snowmachines, outboards, etc.; minimizing down time for repairs. The only alternative would be increased contractual costs and longer down time for servicing by outside contractors. There is also a degree of increased safety offered field troopers on difficult patrols where the seasonal F&W Aide's presence eliminates the one-person patrols in remote Alaska.

Citations and contacts in this division's measures will also decline with the loss of seasonal F&W Aides. Increased trooper time away from patrols for routine maintenance, evidence custody responsibilities, and other administrative activities performed by these positions will reduce these numbers.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Fish & Wildlife Protection	($154,600)	General Fund

Impact Title:
Lack of Funding for FWP Fuel Costs

Impact Analysis
The House Finance Subcommittee proposal to not fund projected fuel costs could significantly impact the ability of troopers to perform field activities. If prices stayed at current levels, FWP would need to request supplemental funding.

If supplemental funds were not forthcoming, taking enforcement vessel(s) out of service and laying off staff would have to occur.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Fire Prevention	($342,500)	General Fund

(Substitution of Program Receipts $300.0)
(Lack of Funding for Year 3 Contract Labor Costs $34.4)
(Fire Service Training Reduction $8.1)

Impact Title:
Reduce Fire Prevention

Impact Analysis
The House Finance Subcommittee proposal to substitute program receipts for general funds, not fund Year 3 Contract Labor costs and reduce Fire Service Training funds will result in the elimination of 4 positions which primarily serve the public in the Public Fire Education program, Northern Fire Service Training Region, and statewide building plan reviews. Funding for these positions was approved by the Legislature in FY 02. Fire Prevention collects plan review fees and based on current projections of construction in the state, it does not expect to collect the additional $300.0 proposed by the subcommittee. Exchanging general funds for fees that do not materialize will result in a loss of service to the public.

Alaska consistently ranks among the worst states in the area of fire loss. In 1999, Alaska's death rate due to fire was 3 times the national average. The vast majority of fire fatalities occur in residential occupancies, where the State Fire Marshal has no statutory authority for inspections. The Public Education Program therefore, is the only avenue available to address this statistic. In addition, reduction in Fire Prevention personnel will increase the time required to complete complex plan reviews, and have negative impacts on the administrative capabilities and paper flow within the division. The proposed reductions will require the division to decrease the building inspection frequency of schools and assembly buildings to every two years, and reduce training throughout Alaska.

Performance measures negatively impacted include:
- Number of fires
- Severity of damage due to fire
- Number of buildings found in compliance with legal standards
- Number of educational contacts made by the division

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Fire Prevention	($500,000)	General Fund

Impact Title:
Deny Funding for Oil Safety Initiative

Impact Analysis
The House Finance Subcommittee proposal does not include funding for 3 Deputy Fire Marshals in the Governor's Oil Safety & Development Initiative.

The Division of Fire Prevention is not currently doing an adequate job of monitoring oil facilities. The aging infrastructure of the oil and gas industry is approaching the end of its originally designed operating life, but fire safety inspections of hazardous oil and gas production, storage, and maintenance facilities are conducted only upon receipt of a formal written complaint. Periodic inspections must be done to reduce the risk of serious injury to workers and the environment.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska State Troopers	($1,013,600)	General Fund

Impact Title:
Cut troopers to make up for Lack of Funding for Year 3 Contract Labor Costs

Impact Analysis:
The House Finance Subcommittee proposal does not provide funding for the third year of contract labor costs. This reduction will require the Troopers to eliminate 9 trooper positions along with travel and other enforcement support costs. A reduction of this magnitude will seriously reduce public access to basic police protection.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska State Troopers	($934,800)	General Fund

Impact Title:
Cut troopers to make up for Unfunded Trooper Support Costs

Impact Analysis:
The House Finance Subcommittee proposal does not include funding needed in FY03 for vehicles, fuel, maintenance for critical facilities, contractual and travel costs to guard and transport prisoners, forensic sexual assault examinations, contractual costs for emergency radio communications, and other essential support costs. Since these increased costs must be paid, a cut of this magnitude can only be addressed by eliminating 7 more trooper and/or civilian administrative positions.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Village Public Safety Officers Support	($1,173,600)	General Fund

(Support Troopers and Regional Public Safety Officers - $1,129,100)
(Lack of Funding of Year 3 Contract Labor Costs– $44,500)

Impact Title:
Cut Village Public Safety Officer (VPSO) Support Troopers and Regional Public Safety Officers (RPSOs)

Impact Analysis
The House Finance Subcommittee proposal to reduce funding for VPSO Support will result in the elimination of 6 of the 9 state troopers funded in that component. These troopers are first responders to felony crimes in rural Alaska. VPSOs do not have the authority to make arrests and investigate felonies. The state troopers eliminated by the Subcommittee proposal are all directly involved in daily oversight of VPSOs and responding to the more serious crimes in their villages.

Additionally, this reduction will eliminate the 4 Regional Public Safety Officers (RPSO) funded during the last legislative session. The RPSO program was established to provide for a local certified police officer in rural areas of the state where that type of public safety presence has been non existent.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Village Public Safety Officers Administration	($141,200)	General Fund
(VPSO Administration Troopers 133,000)		
(Lack of Funding of Year 3 Contract Labor Costs $8,200)		

Impact Title:
VPSO Administration Trooper Reductions

Impact Analysis
The reduction proposed by the House Finance Subcommittee in VPSO Administration will eliminate 1 of the 2 state troopers funded in this component. The elimination of the trooper sergeant that provides training and support to VPSOs will directly impact and potentially jeopardize the receipt and utilization of federal earmarked grant funds for rural enforcement. This trooper sergeant has administered the continuing grants from the Department of Justice that has been received by the department for several consecutive years.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska State Troopers	($750,000)	General Fund

Impact Title:
Deny Funding for Avalanche Warning System/Public Education

Impact Analysis
The House Finance Subcommittee proposal does not include funding for the Governor's Avalanche Warning System Initiative. This will likely result in a continuing increase in

the number of avalanche-related deaths as more Alaskans access the backcountry without proper training or warnings. There have already been six avalanche-related deaths within the last four months. Potentially lifesaving avalanche forecasting for high recreational use areas would have been accomplished under the Governor's proposal. Alaska Statute 18.76.010 directs the Department of Public Safety to develop and implement an avalanche warning system. If funding to establish the system is not provided, the statute should be repealed.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska State Troopers	($825,000)	General Fund

Impact Title:
Deny Funding for Child Abuse Investigators

Impact Analysis
The House Finance Subcommittee proposal does not include 5 new Alaska State Troopers requested by the Governor to work exclusively on child abuse investigations. Without these additional troopers, an immediate response to these serious crimes is often not possible and the backlog of investigations involving sexual abuse, serious physical abuse and criminal exploitation of children will continue. The areas with the greatest current need for these investigators are Palmer, Fairbanks and Soldotna.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Public Safety Training Academy	($40,000)	General Fund

(Facility Operations $20,000)
(Lack of Funding for Year 3 Contract Labor Costs $18,600)
(SEF Vehicle Rate $1,400)

Impact Title:
Academy Reductions

Impact Analysis
The House Finance Subcommittee proposal does not include funding for increased operating costs for the Academy, Year 3 of the Contract Labor Costs, and increased costs for vehicles. Four of the five corporals assigned to the Academy are new to their positions and need to receive specific instructor level training to become fully proficient in all required topics. The impact of this reduction would be to delay scheduled training for these newly assigned instructors. This delay would result in a lowering of the instruction standards of the Public Safety Academy. These instructors are required to teach new municipal police officers as well as village public safety officers and trooper recruits.

Program:	Dollar Amount(s):	Fund Source(s):
Administrative Services	($867,200)	General Fund

(Reduction in Personal Services $820,100)
(Lack of Funding for Year 3 Contract Labor Costs $47,100)

Impact Title:
Cut Administrative Services

Impact Analysis:
The House Finance Subcommittee proposal to reduce personal services funding from the Division of Administrative Services and not fund Year 3 Contract Labor Costs would dramatically impact centralized support for human resources, budget, financial, procurement, logistics, and management support to the Department of Public Safety's divisions and programs. Elimination of 13 of the currently authorized 28 positions would be required, at a minimum. These reductions in force would have direct impacts on line divisions and programs. Further decentralization of the following administrative functions would be required:

- Payment of all vendor bills;
- Recruitment of new employees, including trooper recruits;
- Administrative functions associated with relocation of troopers;
- Property and Supply management including all stored, confiscated & unsafe weapons;
- Budget preparation, review and submission;
- Complex financial analysis;
- Procurement of supplies and equipment with the exception of the most complex projects.

Since line divisions are not funded or fully trained in the duties performed by central staff, expected problems include:

- Federal sanctions for audit exceptions;
- Class action labor union grievances;
- Penalty payments due to payroll and leave accounting inaccuracies;
- Late payment of vendor bills with penalty interest charges & charge accounts closed for non-payment;
- Inability to adequately recruit employees, particularly for law enforcement;
- Budget over-expenditure;
- Inability of managers to receive timely, accurate, and complete financial projections;
- Commissioned Officers being assigned duties that should be performed by lower paid civilians;
- Lengthy delays in developing answers to questions from employees, line managers, the public, or legislators.

As an alternative to eliminating positions in the Division of Administrative Services, essential centralized functions could be charged out to line Divisions. This action would create further funding shortages in line Divisions that would not be funded for these new cost allocations.

Program:	Dollar Amount(s):	Fund Source(s):
APSIN	($19,200)	General Fund
	($13,400)	Inter-Agency Rcpts

(Lack of Funding for Year 3 Contract Labor Costs $19,200)
(Unrealizable Interagency Receipts for Year 3 Contract Labor Costs $13,400)

Impact Title:
Alaska Public Safety Information Network (APSIN) Support Reductions

Impact Analysis
The House Finance Subcommittee proposal to not fund Year 3 Contract Labor Costs will require the Division to reduce overtime and increase the vacancy rate.
This will result in longer turnaround time between a service request and response. For example, a federal court issued an injunction recently preventing the Department from posting sex offender registration data on its public website unless the Department screened out offenders who had committed their offenses prior to 1994. The website was restored in less than 3 weeks. The website would have remained unavailable to the public for at least twice as long if the proposed reduction had been in effect.

Program:	Dollar Amount(s):	Fund Source(s):
Criminal Records & ID Bureau	($19,200)	General Fund

Impact Title:
Lack of Funding for Year 3 Contract Labor Costs.

Impact Analysis
The House Finance Subcommittee proposal to reduce funding for Year 3 Contract Labor costs will require the Bureau to increase the vacancy rate and reduce travel. The impact will primarily affect fingerprint training to employees of booking facilities and to noncriminal justice agencies that fingerprint job/license applicants. This will result in more errors and unacceptable fingerprint cards, which must be resubmitted by the originator and/or corrected manually by Bureau staff.

Program:	Dollar Amount(s):	Fund Source(s):
Criminal Records & ID Bureau	($200,000)	Receipt Supported Services

Impact Title:
Reduced Criminal History Background Checks

Impact Analysis
The House Finance Subcommittee proposal to reduce Criminal Records and Identification Bureau fee receipts by $200.0 will: (1) increase processing time for fingerprint-based criminal record checks for licensing and employment; (2) restrict counter hours for the public to obtain criminal history record checks at DPS headquarters in Anchorage, and (3) reduce criminal records and identification support to police officers and other criminal justice officials.

The Bureau collects these fees to provide criminal history reports to screen applicants for non-criminal justice employment, licenses and permits. Revenues have been increasing, and these receipts need to be spent on staff to do work directly connected to criminal history dissemination. The demand for such background checks continues to grow, up 78%, from about 28,600 in FY97 to nearly 51,000 in FY01. This growth rate is expected to increase in FY02 and FY03; federal laws passed in the wake of the terrorist attacks of September 11 now mandate background checks for more civilians, including airport employees and hazardous materials transporters. But, non-criminal justice record dissemination is a lower priority than the Bureau's other two major services: compiling and correcting criminal records based on arrest, fingerprint, prosecutor and court documents. Following is a more detailed description of the impacts listed above.

1) Increased processing time for applicant fingerprints. Resources will be shifted from processing mailed-in applicant fingerprint cards to criminal record updates and corrections. In some cases, hiring and licensing will be delayed pending the record check, which may result in lost employment/wages or other opportunities for job/license applicants. In other cases, employment and licensing decisions will be made before the record check can be completed, which may result in the placement of inappropriate persons in sensitive positions.
2) Criminal History Records Checks at DPS headquarters in Anchorage. The Bureau currently provides "walk-in" service during regular working hours, Monday through Friday, to record subjects who request their own criminal history record. Service hours will be reduced to 2 days per week.
3) Reduced support to police officers and criminal justice officials. Backlogs in arrest fingerprints and court judgments make on-line criminal history records in APSIN incomplete. Police, prosecutors, jails, corrections, and civilian licensing/employment agencies rely on these records to make critical decisions. Missing information jeopardizes public safety.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Laboratory Services	($52,800)	General Fund

Impact Title:
Lack of Funding for Year 3 Contract Labor Costs

Impact Analysis

The House Finance Subcommittee proposal to not fund Year 3 contract labor costs, will require that Laboratory Services reduce overtime for responding to crime scenes and reducing case backlogs. It will curtail the number of crime scene requests to which lab analysts will render assistance. Additionally, one Criminalist position will be left vacant for 6 to 9 months. This forced vacancy will cause an already large backlog (greater than one year) in sexual assault, DNA, and fingerprint analysis to continue to increase. A reduction in staff will impact Laboratory Services performance measure by increasing the average time from receipt of a case to issuance of a report to an officer and will affect all state and local law enforcement agencies.

Department of Revenue
Impact Statements in Response to
House Budget Proposals
Date: March 21, 2002
Prepared by: Larry Persily, Deputy Commissioner

The House Finance Subcommittee's budget reduces the Department of Revenue's general fund request by $1,193,300 from the governor's amended budget request.

Program Area:	**Dollar Amount(s):**	**Fund Source(s):**
Unallocated Reduction	($422,500)	General Fund
	($ 58,300)	General Fund Program Receipts

Impact Analysis:
Regardless where the Department of Revenue assigns its $480,800 unallocated reduction, the loss in general fund revenues to the state will far exceed the savings from the subcommittee's budget cut. The result will be an increase, not a decrease, in the gap between state spending and revenues.

The department's statutory mission is clear and narrowly defined: "To collect and invest funds for public purposes." The two divisions where the subcommittee recommended, in a subsequent statement of intent, that the department take the unallocated reduction, Treasury and Tax, have equally straightforward and fiscally responsible mission statements in statute: (Treasury) "To manage state funds consistent with prudent investment guidelines," and (Tax) "To collect taxes consistent with statute." Neither mission allows much leeway in setting aside work or cutting back on fiduciary responsibilities. A significant budget cut, such as that proposed by the subcommittee, would prevent the department from carrying out its missions as set out in statute.

Not only are the department's missions clearly stated in statute, but the department's role in collecting and investing funds just as clearly produces far more for the general fund than the cost of operations. For example, the Tax Division in Fiscal Year 2001 generated the following collections vs. cost of operations:

Tax Type	Revenue	Cost of Operations
Oil and Gas Corporate Income Tax	$342 million	$ 570,000
Oil and Gas Property Tax	$265 million	$ 789,000
Non-Oil and Gas Corporate Income Tax	$60 million	$1,100,000
Tobacco Tax	$47 million	$ 158,000
Motor Fuel Tax	$38 million	$ 458,000
Fisheries Business Tax	$30 million	$ 353,000

A good example of the possible impact is in the area of oil and gas corporate income tax. The Tax Division's practice has been to audit oil company tax returns every year. Even though Alaska's tax laws are stable, the state's modified apportionment formula for calculating oil producer income taxes requires a detailed analysis of the corporation's taxes paid in other countries. A change in the taxes paid outside of Alaska can have a significant effect on the corporate taxes owed to Alaska. The only way to consistently monitor that possibility, thereby ensuring that Alaska receives its full taxes owed, is to continue with the annual audits. That practice would be jeopardized under the subcommittee's unallocated budget cut.

Even the smaller taxes raise far more money than the cost of collections:

Tax Type	Revenue	Cost of Operations
Salmon Enhancement Tax	$3.6 million	$36,000
Seafood Marketing Assessments	$3.1 million	$66,000
Salmon Marketing Tax	$2.6 million	$36,000
Estate Tax	$2.6 million	$18,000
Mining License Tax	$1.7 million	$16,000
Dive Fishery Tax	$223,000	$ 4,000

Any reduction in services for any of the tax types would result in lower collections, either through reduced enforcement or taxpayer education, or cutbacks in audit work.

The Tax Division also has the Charitable Gaming Section. This section manages the state's growing industry of bingo, pull-tabs and raffles for qualifying organizations. The amount of money flowing through the industry is sizable (calendar year 2000 numbers):

- More than 1,000 qualifying organizations were licensed for charitable gaming.
- The games collected more than $310 million.
- Of that $310 million, $28 million went to the licensed organizations.
- The state collected $2.3 million in fees and taxes.

The Tax Division spent just $819,000 in Fiscal Year 2001 to collect the $2.3 million for the state and to administer the laws governing the $310 million industry. Any reduction in funding would result in weakened enforcement of the state's charitable gaming laws, putting the organizations at risk of not receiving their fair share of the proceeds and the public at risk of contributing to business profits instead of charitable organizations when they play the games.

The possibility of lost revenues to the state is equally strong at the Treasury Division, the other division recommended for cuts in the House Finance Subcommittee's statement of intent.

The division's cash management and investment services in Fiscal Year 2001 generated $283.8 million in revenue for the state, at a cost to the general fund of just $1 million. Most the of the division's budget goes toward salaries for staff to manage state investments and process state warrants (checks), and any reduction would cause a loss in state revenues. The Treasury Division, if faced with a staff or contractual service cutback, would have to reduce its monitoring of state funds, reducing its ability to maximize state revenues. The division carefully controls the moving of funds on a daily basis in and out of interest-bearing accounts to ensure that the state realizes as much revenue as possible at the lowest fees possible from financial institutions. Although the work is labor intensive, it is extremely cost effective. Budget reductions would jeopardize that work and the oversight of state investments.

Also within the Treasury Division is the Unclaimed Property Section, which manages the cash, stocks, bonds and other unclaimed property turned over to the state by financial institutions and others, and which then tries to reunite the property with the rightful owners. Eventually, unclaimed property reverts to the state. The Unclaimed Property Section in Fiscal Year 2001 cost the state $161,000. Over the past five years, it has turned over to the general fund an average of almost $2 million a year. That's better than a 12-to-1 ratio for revenue over costs.

The House Finance Subcommittee's statement of intent also recommended that the department-wide unallocated reductions be shared with the Alcoholic Beverage Control Board. The board's statutory mission is "to ensure compliance with the state's liquor laws." To this end, the board has just three investigators and one supervisor to ensure compliance with more than 1,800 liquor license holders statewide. An administrative and clerical staff of just four people handles all of the license applications, renewals and transfers. The board's cost of operations in Fiscal Year 2001 was $678,000 in general fund program receipts. The board collected almost $1.8 million for the state — an almost 3-to-1 ratio in favor of the state general fund.

Finally, although it was not mentioned in the House Finance Subcommittee's statement of intent, it is important to point out that the Child Support Enforcement Division also generates far more for the state general fund than its cost of operations.

The Child Support Division collected more than $91 million in Fiscal Year 2001, of which the state retained more than $7 million as repayment for public assistance paid to parents. The general fund contribution to the Child Support Division budget was $3 million, for a net gain of $4 million for the general fund. The staff work to collect that $91 million is enormous: More than 54,000 phone calls to the division, more than 12,000 visits to the public service counters, and more than 1.1 million pieces of mail. Any reduction in the division's budget would mean a lower level of service to the public and a subsequent loss in collections for parents, their children, and the state general fund.

In addition, it is important to note that the federal government matches state contributions to the Child Support Division budget on a 2-to-1 ratio. Therefore, for each $1 cut in state funding, the division would lose a total of $3 from its budget.

Program Area:	Amount(s):	Source(s):
Unallocated Reduction	($148,700)	General Fund
	($136,100)	General Fund Program Receipts

Impact Title:
Lack of Funding for Year-3 Contract Labor Costs

Impact Analysis:
All of the issues raised above, in the discussion of the department-wide unallocated reduction, would also apply to this unallocated reduction equal to the costs of the third-year labor contracts. The only way to absorb the reduction would be to reduce public service and Revenue management functions, which would result in less revenue to the state. The unfunded third-year labor costs present an even bigger problem at the Child Support Enforcement Division. If the labor costs are not funded, and if the division has to absorb the reduction, it also would see an additional loss of $102,600 in federal matching funds for a total personal services reduction of $155,400.

Program:	Dollar Amount(s):	Fund Source(s):
Treasury Management	($125,000)	Constitutional Budget Reserve Fund

Impact Title: Loss of Constitutional Budget Reserve Fund management fees.

Impact Analysis: The House failed to pass the $125,000 Constitutional Budget Reserve Funding appropriation needed to pay management fees for the Constitutional Budget Reserve Fund subaccount. This subaccount is managed in stocks and bonds, as opposed to the main Constitutional Budget Reserve Account that is all in bonds. This funding is needed to pay the management fees for the almost $400 million in investments in the subaccount, specifically the investments in stocks. Without this funding, the equity investments would have to be liquidated and put the money in fixed-income accounts that do not incur management fees. That would result in a loss of revenue to the state.

While this funding is requested at the same time as the rest of the department's budget, it is usually funded toward the end of the legislative session when the vote is taken to authorize withdrawals from the Constitutional Budget Reserve Account.

Program:	Amount(s):	Source(s):
Treasury Division	($130,000)	Inter-agency Receipts
	($ 20,000)	Misc. Funds

	($ 50,000)	General Fund

Impact Title:
Deny increment for investment officer salaries

Impact Analysis:
Salary increases for the Treasury Division's 10 exempt investment officer positions have been unfunded for the past five years and the division can no longer absorb the cost. Alaska needs to pay competitive salaries to attract and retain skilled staff to manage the investment of public funds. The division manages more than $18 billion in public funds, including the general fund, Constitutional Budget Reserve Fund, Public Employees Retirement Fund and Teachers Retirement Fund, and its salaries are not comparable to what trained investment officers could earn in the private sector. The failure to maintain high-quality staff could result in lower earnings on those funds. Of the $200,000 needed to fully fund the investment staff salaries, only $50,000 would come from the general fund. The $150,000 would be paid by the retirement and other funds managed by the staff.

Program Area:	**Amount(s):**	**Source(s):**
Child Support Enforcement Division	($66,000)	Federal
	($34,000)	General Fund Program Receipts

Impact Title:
Deny increment for increased services from the Department of Law

Impact Analysis:
The Child Support Division requested a Fiscal Year 2003 increment of $100,000 ($66,000 in federal funds and $34,000 in general fund program receipts) so that it could increase its Reimbursable Services Agreement to the Department of Law. This request is not to add new services but merely to maintain its existing level of services under a growing caseload. Failure to fund this increment will result in longer delays to the public and will force the Child Support Division and Law to reduce assistance to parents who need to take their cases to court.

Program Area:	**Amount(s):**	**Source(s):**
Child Support Enforcement Division	($194,200	Federal
	($100,000)	General Fund Program Receipts

Impact Title:
Deny funding for five additional child support caseworkers

Impact Analysis:

At the end of Fiscal Year 2001, the average caseload per child support worker in Alaska was 1,374. The average in Oregon was 700, and in Washington it was 600. This increment would allow the hiring of five additional caseworkers so that the Alaska Child Support Division could improve its collections for parents and the state. Even with the five additional caseworkers, the Alaska caseload would still remain far in excess of 1,000 per worker.

Program Area:	**Amount(s):**	**Source(s):**
Child Support Enforcement Division	($60,000)	General Fund

Impact Title:
Deny use of interest on reserve account to improve services

Impact Analysis:
The division requested language in the Fiscal 2003 budget that would allow it to retain interest earned on its reserve account (maintained under AS 25.27.030). Child support collections are deposited into the account, from which checks are drawn to disperse the funds to custodial parents. The interest earned on the account goes to the general fund. However, federal law penalizes Alaska for not using that interest to help pay for child support services. The amount of interest is deducted each year in the calculation of federal matching funds for Alaska's Child Support Division. The requested budget language would avoid the federal penalty and secure the full level of federal matching funds as authorized by the legislature.

Program Area:	**Amount(s):**	**Source(s):**
Child Support Enforcement Division	($29,800)	Federal
	($15,400)	General Fund
		Program Receipts

Impact Title:
Deny increment for state facilities rent

Impact Analysis:
The division requested this increment to cover the increased cost of rent payable to the Department of Administration. The failure to fund this increment would mean that the division would be forced to reduce its expenditures elsewhere — causing a reduction in public service and collections.

Program:	**Amount(s):**	**Source(s):**
Treasury Division	($27,500)	General Fund
		Program Receipts

Impact Title:
Deny increment for Unclaimed Property position to move from part time to full time

Impact Analysis:
This requests a part-time clerk position be upgraded to a full-time position to assist in the development of an unclaimed property holder awareness and monitoring program. It is expected that the increased collections generated by this position would not only cover the costs but also add additional revenue to the state. The Unclaimed Property Section over the past five years has transferred to the general fund an average of almost $2 million a year, at an operating cost of $161,000 in Fiscal Year 2001.

Program Area:	**Amount(s):**	**Source(s):**
Alcoholic Beverage Control Board	($96,000)	General Fund Program Receipts

Impact Title:
Deny increment for new investigator

Impact Analysis:
The House Subcommittee denied the request for one additional investigator, travel and contractual services for increased enforcement of Alaska's liquor laws. Much of the travel and contractual services increment would be directed to responding to problems with liquor licensees located in rural areas of the state, off the road system. The ABC Board generates sufficient program receipts to more than cover this increment so the fiscal gap is not affected. Failure to fund this increment would mean a continuation of inadequate coverage of the state.

Program Area:	**Amount(s):**	**Source(s):**
Alcoholic Beverage Control Board	($35,000)	General Fund Program Receipts

Impact Title:
Deny increment for more liquor license hearings

Impact Analysis:
The Alcoholic Beverage Control Board is unable, with its existing level of funding, to accommodate a growing number of license actions going to formal hearing. This increment would allow the ABC Board to fulfill the mandates of the formal hearing process. Failure to fund this increment could put the ABC Board in the position of having to settle license actions under less than optimum circumstances due to the inability to pay for a formal hearing allowed under statute. Some of the increment also would pay for a toll-free tip line for members of the public to report violations on licensed premises.

Program Area:	**Amount(s):**	**Source(s):**
Alcoholic Beverage Control Board	($2,900)	General Fund Program Receipts

Impact Title:
Deny increment for state facilities rent increase

Impact Analysis:
This increment is needed for the ABC Board's portion of the increased facilities rent payment to the Department of Administration. Given how tight the ABC budget is already, the cut would reduce existing service levels.

Program Area:	Amount(s):	Source(s):
Treasury Division	($86,800)	Power Cost Equalization & Rural Electric Capitalization Fund
	$86,800	Power Cost Equalization Endowment Fund

Impact Title:
Deny fund source correction

Impact Analysis:
The House Finance Subcommittee's proposal did not include the requested correction of funding sources for the Power Cost Equalization Endowment Fund in the Treasury Management component. When HB 446 and the fiscal note passed in the 2000 legislative session, the funding was to be the Power Cost Equalization Endowment Fund. Unfortunately, when the budget was recorded, the Power Cost Equalization & Rural Electric Capitalization Fund was incorrectly used. The funding currently being used to manage the Power Cost Equalization Endowment Fund is provided by the Power Cost Equalization & Rural Electric Capitalization Fund. This fund correction has a net zero effect in the Fiscal Year 2003 budget for the Treasury Management component.

Program:	Amount(s):	Source(s):
Treasury Division	($28,500)	Advanced Education Tuition Fund
	$ 3,800	Int'l Airport Revenue Fund
	$ 2,600	Student Revolving Loan Fund
	$ 2,600	Investment Loss Trust Fund
	$ 5,200	Public School Fund
	$ 5,100	Children's Trust Fund Earnings
	$ 2,000	Rural Health Ins.

		Fund/Major Medical
	$ 2,000	Rural Health Ins. Fund/Long-Term Care
	$ 5,200	Power Cost Equalization Endowment Fund

Impact Title:
Deny fund change for Treasury's investment management fees

Impact Analysis:
The House Finance Subcommittee proposal did not include the requested fund change for the Advanced Education Tuition Fund in the Treasury Management component. The proposed fund switch has a net zero effect to the Treasury Management component's total funding request for Fiscal Year 2003, but is required to properly allocate management costs between the different funds at Treasury. The investment fees (personal services and custody fees) and costs related to the funds managed by the Treasury Management component are allocated across all funds. Whenever Treasury loses or gains a new fund, such as occurred with the Advanced Education Tuition Fund, those costs have to be re-allocated across the remaining funds. This request would allow the proper allocation across non-general fund funding sources.

Program:	**Amount(s):**	**Source(s):**
Tax Division	($2,800)	General Fund

Impact Title:
Deny increment for state facilities rent

Impact Analysis:
This increment is needed for the Tax Division's portion of the increased facilities rent payment to the Department of Administration.

Program:	**Amount(s):**	**Source(s):**
Commissioner's Office	($2,500)	General Fund

Impact Title:
Deny increment for state facilities rent

Impact Analysis:
This increment is needed for the Commissioner's Office portion of the increased facilities rent payment to the Department of Administration.

Program:	**Amount(s):**	**Source(s):**
Administrative Services Division	($1,600)	General Fund

Impact Title:
Deny increment for state facilities rent

Impact Analysis:
This increment is needed for the Administrative Services Division portion of the increased facilities rent payment to the Department of Administration.

Note: Impacts to Alaska Housing Finance Corporation will be listed on a separate document.

Department Transportation and Public Facilities
Impact Statements in Response to
House Budget
Date: March 19, 2002
Prepared by: DOT&PF Management
Contact: Nancy Slagle, Director Administrative Services

The House budget cuts are devastating. Direct services to Alaskans will be reduced significantly. The impacts shown here reflect the Subcommittee's reduction from the Governor's budget of $10,747,600. This represents a 10.3% general fund reduction. Additionally, $4,801,400 was reduced from the Alaska Marine Highway Fund general fund support request. The combined cuts total $15,549,000.

The splitting of the FY03 budget into two has impacts on Highways and Aviation from a funding availability viewpoint and the administrative sections of the department from a workload viewpoint. The ability to deal with such common issues as bulk commodity purchases, SEF equipment replacements, large annual payments, and responses to avalanches, snow events and floods will be restricted by this action. The administrative burden on a staff reduced by budget cuts is increased.

Although the House identifies a $3,863,100 reduction from the current year, the increased costs of doing business associated with labor contracts, fuel, utilities, equipment maintenance and replacement, and airport maintenance contracts requires a substantial increase to the FY03 budget. These are fixed costs that are necessary to run this department at the current level of service. There were only three proposed increases in service requested in the Governor's request. Two were for a new safety officer ($52,000), and an increase in the damages recovery program ($130,000 general fund/program receipts). These programs are designed to save the State money in the future by controlling the costs associated with Workers Compensation claims and recovering and repairing damages to our highway infrastructure caused by accidents. Another requested increase was a return to FY99/00 service levels and bringing on the Metlakatla shuttle for the Alaska Marine Highway System ($3,954,400).

To achieve these cuts proposed by the House, the department was forced to reduce the service level in most areas. 7 maintenance stations will be closed, 134 permanent full time positions (including a Deputy Commissioner, equipment operators, administrative clerks and managers) and 30 permanent part time employees will be eliminated and 11 full time positions will become part time. This means that some roads will be maintained only during certain hours and others won't be maintained at all. A possible means of dealing with these reduced service levels and still preserving the safety of the traveling public is the reduction of speed limits on those roads most effected. Additionally over $200,000 will be deleted from travel throughout the Department. This represents a 61% reduction in the Department's administrative travel budget. Maintenance reductions will result in further increasing the deferred maintenance backlog. Performance measures will be a helpful tool to measure reduced efficiency, effectiveness and service levels resulting from these budget cuts.

The House singled out North Kenai Maintenance Station and Northern Region Road Openings as preferential areas, and prohibits us from considering them for additional service level reductions. This approach is unfair to the rest of the state.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Commissioner's Office	($116,300)	General Fund

Impact Title:
Eliminate Deputy Commissioner and Special Assistant and reduce administrative travel.

Impact Analysis:
This will cut a Deputy Commissioner and a Special Assistant.   The elimination of such key positions in this department will have an effect on nearly every aspect of our programs. This reduction will leave the Commissioner, one Deputy Commissioner, and one special assistant to manage an approximate $1 billion program and supervise over 3,000 employees.

A reduction of 10% to administrative travel is significant to a department with employees disbursed geographically across the state. Extensive travel is necessary for adequate supervision, constituency relations, meetings with legislators and their staff; and federal and local officials. This cut will severely restrict the Commissioner's and remaining Deputy Commissioner's ability to run the department.

Impact to Statutory Responsibilities:
All statutes pertaining to the responsibilities of the Department will be adversely impacted by these reductions.

Impact on Performance Measures:
The reductions will result in more time required to respond to complaints and questions that have been elevated to the Commissioner’s Office and less time spent on monitoring divisions to determine if performance measures are being reached.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Highways & Aviation	($2,221,800)	General Fund

Impact Title:
Eliminate Maintenance on Various State Roads
- Northern Region
    - Steese Hwy MP44 to Central & Close Montana Creek Maintenance Station for Winter Months ($180,000)
    - Elliott Highway from Livengood to Manley and Minto ($150,000)

Eliminate Maintenance on Northern Region Roads ($502,000)
Eliminate Maintenance on Ruby/Poorman Road ($147,000)
Eliminate Positions, Equip. & Overtime, Nome Highway Station ($368,800)

Southeast Region

Eliminate Maintenance of Category III roads ($579,900)
Eliminate Maintenance of Various Southeast Category I & II Highways ($222,100)
Eliminate Maintenance Funding at Angoon, Hyder, and Kake ($72,000)

Impact Analysis:
Eliminate Winter Maintenance on the Steese Hwy MP44 to Central & Close Montana Creek Maintenance Station for Winter Months ($180,000): Three full time equipment operators will be reduced to summer seasonals and two dump trucks, a snow blower, and a pickup truck will be eliminated. Winter maintenance will be performed only locally between Central, Circle Hot Springs and Circle City.

The Steese Highway MP 44 to 120 has been kept open in the winter since the mid-1980s. The communities of Central, Circle Hot Springs and Circle City, all of which have airports, will be affected. Impact will be significant to an area no longer accustomed to providing for heavy winter needs such as fuel. Several businesses in Central will be severely impacted.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Montana Creek Station	54.3 to 90.5
WASHTO average	29.3

Eliminate Winter Maintenance on the Elliott Highway from Livengood to Manley and Minto ($150,000): Three full-time equipment operators, two in Livengood and one in Manley, will be reduced to seasonal and a plow truck in Manley and a grader in Livengood will be eliminated. One operator will remain in Manley to plow local roads for the school bus and maintain the Manley Airport. A contract will be needed to maintain the Minto Airport and local roads.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Manley Station	53.6 to 71.5
Livengood Station	48.2 to 71.5
WASHTO average	29.3

Eliminate Maintenance on Northern Region Roads ($502,000): Maintenance would be eliminated on various Nome area roads, the Nome-Taylor north of Mile 15, Nome-Council beyond Mile 22, Dexter By-Pass, Glacier Creek, Osborne, Big Hurrah, Ophir Creek, Pilgrim Hot Springs, and Wooley Lagoon Roads. One full time and four seasonal positions will be eliminated. Two graders, one dump truck, two pickup trucks, and one backhoe will be turned in. Bear Creek and Cottonwood Stations will be closed.

Eliminating maintenance on Western District roads will restrict access to active mining property, material sources, traditional hunting sites and seasonal cabins.

Maintenance will also be eliminated beyond Mile 27 of the Copper River Highway, Denali Highway, Fairbanks Creek, Faith Creek, Sourdough Creek, Eagle Creek, Miller/Harrison Creek, Porcupine Creek, Eureka Road, and Tofty Road. Two seasonal equipment operators will be eliminated, one in Cantwell and one in Paxson. Three graders will be turned in. Other savings will come from a reduction in the purchase of fuel, cutting edges, chains and parts. Road washouts will occur if culverts are not thawed. Miners, tourists, homeowners, and businesses will be affected.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Nome Station	37.0 to 37.2
Montana Creek Station	54.3 to 90.5
Manley Station	53.6 to 71.5
Cantwell Station	48.1 to 31.6
Paxson Station	50.6 to 47.1
WASHTO average	29.3

<u>Eliminate Maintenance on Ruby/Poorman Road ($147,000)</u>: Ruby/Poorman Road has numerous cabins and residences along the road south from Ruby on the Yukon River at mile 7, 25, and 27. Several small mining operations are active along this road. The road will deteriorate fairly rapidly following elimination of maintenance. The Department will only maintain the Ruby Airport. One dozer, one dump truck, and one pickup truck will be eliminated and the cost of the maintenance contract will be cut approximately in half. Savings will be in equipment ($73,000), maintenance contract ($44,000), and fuel ($30,000).

<u>Eliminate Positions, Equipment and Overtime, Nome Highway Station ($368,800)</u>: Eliminate two seasonal positions. Eliminate one grader, one snow blower, one tractor/trailer, two pickups and one dozer. Reduce overtime by $52,000. The impact will be slower response time on Nome area roads.

Once equipment is turned in, it is expensive or impossible to add back. Secondary impact will be further reduction of one mechanic position in Nome.

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Nome	37.0 to 37.2
WASHTO average	29.3

<u>Eliminate maintenance of Southeast Category III roads ($579,900):</u> With the elimination of equipment operator positions in Gustavus (1PT), Haines (1FT,1PT), Juneau (1FT,1PT), Skagway (1FT,1PT), Klawock (1FT), and Ketchikan (1FT) winter snow removal and year round maintenance will be discontinued on 170 lane miles of

highways in Southeast communities. Overtime for all stations will be reduced by $66,300. Additional impacts will be reduced response time for maintenance, emergencies, and reduced service during winter storms on remaining department facilities. There will be delays to the traveling public during and after heavy snow events. Summer maintenance will be scaled back and travelers will notice degradation of the highways.

These Category III roads are:

Gustavus -	Airport Road, Harbor Road
Yakutat -	Bayview Drive, Lost River, Monti Bay
Haines -	Lutak Road, Mud Bay, Allen Road, Comstock Road, Beach Road, Front Street, Lutak Spur, Menaker Road, Mosquito Lake, Piedad Road, Sawmill Creek, Small Tract
Petersburg -	Crystal Lake Road, Falls Creek Road, Old Mitkof Hwy. Papkes Landing, Scow Bay Loop Road
Sitka -	Eagle Way
Skagway -	Sanitorium Road
Ketchikan -	Cemetery Road, Cranberry Road, D-2 Loop, Knudson Cove, Knudson Spur, D-1 Loop, North Pt. Higgins, North Pt. Higgins Spur, Old South Tongass, Pond Reef Ext., Pond Reef Circle, Pond Reef Road, Potter Road, Power House, Roosevelt Spur, Shoreline Drive, South Pt. Higgins, South Pt. Higgins Spur, Sunset Drive, Totem Bite, Whipple Creek, White Road Spur, Wood Road
Juneau -	Thane Road, Glacier Avenue, Lemon Creek Spur, Auke Nu, Dotson's Landing, Engineer's Cut-off, Mendenhall Peninsula, Montana Creek, Nine Mile Creek, Otter Way, Pt. Lena Loop, Pt. Louisa, Pt. Stevens, Skater's Cabin, Tee Harbor Spur #1, Tee Harbor Spur #2,
Kake -	City Dock Road, Boat Harbor Road

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Gustavus Station	30.2 to 49.1
Haines Station	38.9 to 51.7
Juneau Station	23.7 to 34.5
Ketchikan Station	53.1 to 65.3
Klawock Station	64.8 to 81.0
Skagway Station	12.1 to 14.8
WASHTO average	29.3

Eliminate maintenance of selected Category I and II highways in Juneau, Petersburg, Hoonah, Skagway, and Wrangell ($222,100): The state will stop maintenance on the following roads: Juneau- Glacier Highway Mile 26 to end of road; Petersburg – H Street, Mitkof Highway; Skagway – Dyea Road; Wrangell – Airport Road, Zimovia Highway, and East Road. An operator in Hoonah, Petersburg and Wrangell will be eliminated. Overtime will be reduced in Juneau, Skagway, and other stations.

These reductions will result in minimal staffing at the Petersburg and Wrangell airports. Snow removal response times will increase on the airport, which may cause delayed or canceled flights. Other communities will experience more snow on the highways. The speed limits may have to be lowered during winter driving conditions. There will be less snow removal on weekends.

Impact on Performance Measures:
Lane miles by Operator before and after layoffs:

Hoonah Station	9.9 to 19.7
Juneau Station	23.7 to 34.5
WASHTO average	29.3

Eliminate maintenance agreement funding for Angoon, Hyder, and Kake (except Kake Airport) ($72,000): Maintenance of the state highways will stop. The State will continue to contract with the City of Kake to maintain the Kake airport to ensure essential air service.

Program:	Dollar Amount(s):	Fund Source(s):
Highways and Aviation	($3,574,300)	General Fund

Impact Title:
Reduce Maintenance on Various State Roads
- Central Region
  - Reduce Contracted Snow Haul in Anchorage ($200,000)
  - Layoff of Equipment Operators ($660,000)
  - Turn in additional SEF Equipment ($408,000)
  - Reduce Overtime in all Districts ($75,000)
  - Reduce Materials & Supplies North Kenai Station ($15,200)
- Northern Region
  - Eliminate Positions & Equipment in Interior District ($1,225,100)
  - Reduce Winter Overtime Interior District ($50,000)
  - Reduce Summer Overtime and Summer Seasonals ($70,000)
  - Reduce Sanding, Salt Use and other Commodities ($120,000)
  - Eliminate Positions, Supplies and Equip. Southcentral District ($725,900)
- Southeast Region
  - Turn in two dump trucks and one road grader ($25,100)

Impact Analysis:
Reduce Contracted Snow Haul in Anchorage ($200,000): The average annual snow hauling cost in the Anchorage Bowl is approximately $600,000. The cost of one complete snow haul is approximately $100,000. We will eliminate the equivalent of two

complete snow hauls per year and establish a firm annual cap of $400,000 on snow hauling.

The impact will be that more snow will accumulate on the sidewalks and pathways. The increased amount of snow may impair the sight distance at intersections and pedestrians' ability to use the sidewalks. The accumulation may also result in increased spring snow melt flowing across the road creating additional pot holes and causing icing during nightfall. The routes that will primarily be affected are Dimond Blvd, Muldoon/Tudor Road, Northern Lights, Benson Blvd, Fireweed Lane, Gambell/Ingra, and A-C couplet among others.

Layoff Central Region Equipment Operators ($660,000): The following operators will be laid off:

	Operators Before	Operators Eliminated	After
5 PFT operators in Anchorage	33	5	28
1 PFT and 1PPT operator in Girdwood	8	2	6
2 PFT operators in Soldotna	10	2	8
1 PFT operator in Seward	4	1	3
1 PFT and 1 PPT operator in Homer (airport)	10	2	8

The impact of these layoffs will be a significant delay in response time for snow removal, road repairs and other maintenance activities.

Impact on Performance Measures:
Lane Miles per Operator before and after layoffs:

Anchorage Station	30.0 to 34.9
Girdwood Station	28.7 to 36.9
Soldotna Station	51.9 to 63.3
Seward Station	33.9 to 45.2
Homer Station	40.1 to 58.0
N. Kenai Station	41.0 to 63.1
WASHTO average	29.3

Turn in additional SEF Equipment ($408,000): The following equipment will be turned in:

2 graders in Anchorage
2 trucks in Anchorage
1 grader in Palmer
1 graders in Soldotna
1 truck in Soldotna
1 grader in Homer
miscellaneous equipment from all districts ($75,000)

This reduction in equipment corresponds to the additional reductions in maintenance staffing at other locations in Central Region and the need to absorb $115,000 in budget reductions assessed to Maintenance and Operations (M&O) facilities to cover increased utility and operations costs for Anchorage M&O maintenance facilities.

Reduce Overtime in all Central Region Districts ($75,000): This represents a 30% reduction in overtime within Central Region Maintenance. Reduced overtime will significantly reduce our ability to respond to snowstorm events, avalanche and rockslide removals, trooper call-outs and other after-hour emergencies.

Reduce Materials and Supplies North Kenai Maintenance Station ($15,200): The House has determined this to be a higher priority maintenance station than the other 83 stations statewide. We will reduce orders for sand, salt, grader blades, and tire chains which will result in a reduced level of winter road maintenance (sanding, etc).

Eliminate Positions & Equipment in the Interior District (including Fairbanks) ($1,225,100): Maintenance will be reduced on most Interior District Highways such as the Parks, Richardson, Elliott and the lower portion of the Dalton Highway south of Coldfoot. Fourteen equipment operators will be laid off, seven operators located at the Fairbanks maintenance station, three operators on the Dalton Highway at Livengood, Seven Mile and Jim River, and four operators on the Parks Highway at East Fork, Nenana, Healy, and Cantwell. An additional full time employee will be reduced to seasonal in Fairbanks. One eight-yard dump truck, one grader, and one brushcutter will also be eliminated. With significant reduction in equipment use, a reduction in State Equipment Fleet mechanics will follow. Four mechanics will be laid off.

Snow removal and ice control operations will experience the largest impacts. There will be an increased response time on all roads. Fairbanks area lower priority roads will see an increase of 24 to 48 hour response time after each snow event. Pedestrian facilities will also be impacted by the longer response times. Summer maintenance operations such as pothole repair, sign repair, brush control, sweeping, drainage work, and fence repair will also be reduced.

Impact on Performance Measures:

Lane Miles per Operator before and after layoffs:

Dalton Highway

Chandalar Station	25.5 to 31.9
Jim River Station	27.6 to 40.7
Seven River Station	44.0 to 55.0

Denali Area

Cantwell Station	48.1 to 30.8
Healy Station	45.5 to 56.9
Livengood Station	48.2 to 69.7
Manley Station	53.6 to 71.5
Nenana Station	43.7 to 53.4

Fairbanks Area

Fairbanks Station	38.4 to 48.5
Montana Creek Station	54.3 to 90.5
WASHTO average	29.3

Reduce Winter Overtime Interior District ($50,000): Winter storm response time will increase by limiting operator's overtime. Plowing and sanding will be delayed resulting in some road closures due to heavy storms, blowing conditions, and slick hills and curves.

Reduce Summer Overtime and Hiring Back Summer Seasonals Interior District ($70,000): Summer seasonal employees will not be rehired unless work is funded by capital project funds. Deferred maintenance will continue to grow. Sign replacement, brush control, pavement repairs, street sweeping, mowing, fence repair and cleaning drainage structures will all be reduced and delayed.

Reduce Sanding, Salt Use and other Commodities Interior District ($120,000): During periods of warm winter weather, maintenance crews spread salt and sand to reduce ice buildup on the roads. This practice will be restricted and will cause many of the Interior highways to become very slick and remain slick throughout the winter. Purchase and use of commodities, such as signs and culverts, will be cut back and limited to emergencies.

Eliminate Positions, Supplies and Equipment Southcentral District ($725,900): In the Valdez Area, the layoff of seasonals from the three camps will result in a lower service level in the winter months. Eliminate one full time position at Cordova Station. Eliminate one seasonal position at Thompson Pass and two seasonal positions at Valdez Station. Eliminate one plow truck in Valdez. The roadways will not be able to be cleared as quickly as a decreased workforce will still maintain core urban areas and critical locations such as Thomson Pass and airports. In commodities, a 50% reduction is proposed for the use of ice control chemicals on our highway and airport system. The impact will be more airport runway closures, delays and reduced travel speeds on the highway system. Eliminate one full time position in Nelchina, eliminate one seasonal position from Tok, one seasonal from Northway and reduce one full time position to seasonal in Tazlina.

Snow removal and ice control operations will experience the largest impacts.

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Cordova Station	36.0 to 42.0
Thompson Station	8.4 to 21.3
Valdez Station	17.3 to 19.2
Nelchina Station	38.4 to 49.3
Tok Station	59.0 to 63.0

Tazlina Station	48.0 to 59.3
Northway Station	34.4 to 39.7
WASHTO average	29.3

Turn in two dump trucks and one road grader ($25,100): Two dump trucks and one road grader will be returned to SEF and will no longer be available to perform highway maintenance. Winter maintenance of highway intersections and turn lanes will be delayed in Juneau. Ditching and drainage improvements in Ketchikan will be deferred.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Highways and Aviation	($2,244,300)	General Fund

Impact Title:
Close Maintenance Stations at:

- Central Region
  - Willow Maintenance Station ($592,700),
  - Kalsin Bay Maintenance Station ($221,900),
  - Ninilchik Maintenance Station ($386,100)
- Northern Region
  - Birch Lake Maintenance Station ($135,000)
  - Coldfoot Maintenance Station ($150,000)
  - Chitina Maintenance Station ($371,700)
  - Trims Maintenance Station ($387,500)

Impact Analysis:
Willow Maintenance Station ($592,700): The Willow Maintenance Station is located on the Parks Highway. It costs approximately $696,000 per year to operate including the cost of temporary office and storage facilities. All equipment will be turned in with the exception of one loader that will be needed to access the sand pile and one grader for the airport.

This action will have the following consequences.

1) Four equipment operators will be laid off.
2) The Parks Highway MP 52 to MP 99 will be maintained by equipment operators from the Chulitna and Palmer stations. Driving distances will be increased by 24 miles one way.
3) During the winter, commercial truck traffic and the motoring public will be impacted by slower response times for snow removal and ice control.
4) Residents of Palmer, Willow, and Chulitna will have to wait approximately 24 to 48 hours longer after snowstorms until areas are plowed.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs

Chulitna Station	63.7 to 91.7
Palmer Station	59.1 to 75.3

WASHTO average 29.3

<u>Kalsin Bay Maintenance Station ($221,900):</u> The Kalsin Bay Maintenance Station on Kodiak Island serves the area including the Chiniak Highway and Pasaghak Road, which service the new rocket-launching site as well as the residents of Chiniak. It costs approximately $238,800 per year to operate. All equipment will be turned in with the exception of one loader that will be needed to access the sand pile. The utility savings will be approximately $3,000. The loader costs approximately $16,900 annually.

The impact of this action will have several consequences:

1) Two equipment operators will be laid off.
2) The level of service (snowplowing, sanding, etc.) will be delayed until the Kodiak station equipment operators can make it to this location. It is 24 miles one way from Kodiak to Kalsin Bay.
3) During heavy snowstorms, there will be days when personnel working at the launch site will not be able to get to work and, similarly, people living in Chiniak will not be able to get to work in Kodiak.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs

Kodiak Station	23.1 to 34.5
WASHTO average	29.3

<u>Ninilchik Maintenance Station ($386,100):</u> The Ninilchik Maintenance Station on the Sterling Highway costs approximately $402,200 per year to operate. All equipment will be turned in with the exception of one loader that will be needed to access the sand pile. The utility savings to the facilities component will be $4,300. The loader costs approximately $16,100 annually. Net savings to the H&A component will be $386,100.

The impact of this action will have the following consequences:

1) Four equipment operators will be laid off.
2) The level of service (snowplowing, sanding, etc.) to this area will be delayed until the Homer and Soldotna station equipment operators can make it to this location.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs

Homer Station	40.1 to 58.0
Soldotna Station	51.9 to 63.3
WASHTO average	29.3

<u>Birch Lake Maintenance Station ($135,000):</u> The Birch Lake Maintenance Station on the Richardson Highway will require one equipment operator will be laid off and one relocated to Fairbanks. A dump truck, a loader, and a grader will be turned in. Fairbanks and Delta maintenance stations will share the responsibility for an additional 53 miles. The level of service will be reduced and response time for storm events will

increase on the Richardson Highway in the area of Birch Lake. Impacts include road closures, increased delays and reduced legal speed limits.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Fairbanks Station	38.4 to 48.5
Delta Station	72.2 to 78.8
WASHTO average	29.3

<u>Coldfoot Maintenance Station ($150,000):</u> The Coldfoot Maintenance Station is on the Dalton Highway. Two equipment operators will be laid off and two relocated. One dump truck and one pickup truck will be turned in. Longer travel times to maintenance work areas will result in less actual maintenance work being performed. There will be longer response times for assistance in reaching stranded operators and others requiring emergency assistance.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Chandalar Station	25.5 to 31.9
Jim River Station	27.5 to 40.7
Seven Mile Station	44.0 to 55.0
WASHTO average	29.3

<u>Chitina Maintenance Station ($371,700):</u> Complete closure of the Chitina Station on the Edgerton Highway will result in elimination of two full time and one seasonal position. Eliminate grader, truck, loader and associated consumables. Station closure will have a significant impact to the Edgerton Highway, Village of Chitina, Kenny Lake School District and the Chitina dipnet fishery. Maintenance will be performed from the Ernestine Station resulting in delayed response to winter storm events, limited routine summer maintenance and elimination of calcium chloride for dust control.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Ernestine Station	35.2 to 56.2
WASHTO average	29.3

<u>Trims Maintenance Station ($387,500)</u>: The Trims Station is on the Richardson Highway (between Delta Junction and Paxson). Two full time positions will be eliminated. One position will be re-assigned to an adjacent station. Eliminate grader, loader and truck. Snow removal will be delayed as crews will respond from Delta and Paxson Stations, who will need to share the additional 35 miles. Maintenance will be limited to emergency repairs.

Impact on Performance Measures:
Lane miles per Operator before and after layoffs:

Delta Station	72.2 to 78.8

Paxson Station	50.6 to 47.1
WASHTO average	29.3

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Facilities	($252,000)	General Fund

Impact Title:
Close Maintenance Stations
Northern Region
Birch Lake Maintenance Station ($50.0)
Trims and Chitina Stations ($120.2)
Coldfoot Maintenance Station ($82.0)

Impact Analysis:
Birch Lake Maintenance Station ($50,000): Closure will result in damage to the building structure and equipment.

Trims and Chitina Stations ($120,200): Reduce two full-time positions to seven month seasonal positions and eliminate the Chitina generator that supports other buildings of the region. Closure of the Trims and Chitina Camps would eliminate fuel and parts for these camps.

Coldfoot Maintenance Station ($82,000): Closure will result in the lay-off of one full time position and reduction of facility repairs throughout the remaining maintenance stations on the Dalton Highway. Impacts of these reductions are: Delayed response time for highway and airport maintenance, increase in deferred maintenance due to longer travel times to repair sites, longer response times to road closures and accidents, and damage to the Coldfoot Maintenance Station facilities from loss of heating.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Highways and Aviation	($292,500)	General Fund

Impact Title:
Eliminate or Reduce Maintenance at Airports
Central Region
Eliminate maintenance at airports adjacent to highways ($182,600)
Shut off Skwentna Airport Lighting ($36,700)
Northern Region
Eliminate Maintenance at Northern Region Airports ($73,200)

Impact Analysis:

Eliminate maintenance at airports adjacent to highways ($62,300): The following Central Region airports are relatively low volume airports located adjacent to highways where transportation to and from communities can be provided by alternate modes: Whittier ($19,800), Kasilof ($8,000), Ninilchik ($10,000), Quartz Creek ($3,000), Lawing ($10,000), Goose Bay ($10,000), and Sheep Mountain ($1,500). We will discontinue both winter and summer maintenance at these airports. Medical evacuation flights will be limited to helicopters only.

Shut off Skwentna Airport Lighting ($36,700): In 2001, the Matanuska-Susitna School District closed the school at Skwentna. Prior to its closing, the school provided electricity for runway lights at Skwentna Airport. After the school closed, the cost to operate the generators and supply electricity to the Skwentna Airport was transferred to DOT&PF.

The impact of not lighting the airport will be that flights and medivacs will not be able to fly to Skwentna when it is dark.

Eliminate Maintenance at Northern Region Airports ($73,200) Eliminate airport maintenance at Clear, Chistochina, Circle, Circle Hot Springs, Wiseman, Dahl Creek, Summit, Boundary, Livengood, Salmon Lake, Copper Center and Tazlina.

These airports are either on the road system or there is no community associated with them. They are scattered throughout Northern Region and they are low use airports used mainly by hunters, tourists, and local residents. There may be requirements to perform minimum maintenance on them due to federal grant assurances.

Program:	**Dollar Amount:**	**Fund Source:**
Alaska Marine Highway System	($4,801,400)	General Fund

Impact Title:
M/V *Bartlett* Offline Effective July 2002
Shift M/V *Aurora* to Prince William Sound Service Effective July 2002
Lay-up M/V *Taku* for 9 months

Impact Analysis:
AMHS service reduced to an eight-ship fleet.
Bartlett/Aurora exchange ($2,600,000): 48 permanent Ketchikan change crew positions on M/V *Aurora* will be eliminated. *Bartlett* crew will assume operation of *Aurora* in Prince William Sound. *Bartlett* will go off-line and additional lay-up costs will be incurred. Only M/V *LeConte* will serve smaller SE Alaska communities. Southeast Alaska communities – Kake, Angoon, Tenakee Springs, Hoonah, and Pelican – will be without ferry service during October 2002 due to required *LeConte* overhaul. AMHS winter service to smaller Southeast Alaska communities will be reduced November through June. Due to Aurora redeployment and new ferry delay, Metlakatla service will be provided by a contract vessel.

<u>*Taku* Lay-up ($2,201,400): The </u>M/V *Taku* will be off line from October through June. This is a reduction from Taku's proposed schedule of 33.5 weeks of service to Southeast Alaska. Two Prince Rupert to Skagway round trips per week by the *Taku* will be eliminated. The ability to travel within SE Alaska will be adversely affected. Reduced vehicular traffic bound for interior Alaska through Haines and Skagway will impact economies of Southeast Alaska and interior Alaska. Opportunities to ship fresh seafood out of Alaska in the Fall 02/Spring 03 will be reduced. Additional lay-up costs for *Taku* will be incurred.

The House increased the Marine Highway expenditure authority by $4,000,000 with the intent to increase fees to offset the general fund budget cuts. It is highly unlikely that this much could realistically be generated by fee increases. Many of the summer bookings have already been made. Any legislative surcharges would be for tickets not yet reserved. We will analyze the feasibility of a fare hike and the options for the fairest way to spread price increases.

Program:	**Dollar Amount**	**Fund Sources**
Facilities	($717,300)	General Fund

Impact Title:

Eliminate or reduce maintenance of state facilities

- Central Region
  - Eliminate lawn maintenance, window washing & reduce janitorial services ($133,900).
  - Eliminate two positions and three vehicles ($148,500)
  - Reduce maintenance parts and supplies ($150,500)
- Northern Region
  - Montana Creek Winter Closure ($45,000)
  - Cold Shutdown of the Old Fairbanks Courthouse ($224,400)
  - Close Inbound/Outbound Richardson Hwy Weigh Stations ($15,000)

Impact Analysis:

<u>Eliminate lawn maintenance, window washing & reduce janitorial services ($133,900):</u>
Funds typically spent on contracted services will have to be reallocated to cover rising utility and heating fuel costs. This reallocation will force the elimination of basic contracted services.

Eliminate lawn maintenance at the following locations:

- DOT&PF Aviation Building
- Annex on Tudor Road
- Kodiak Combined Facility
- Kodiak Region Office
- Kodiak Griffin Building

Eliminate window washing at the following locations

- Anchorage Boney Court Building,
- DOT&PF Aviation Building
- Public Safety Building
- Statewide Materials Buildings
- Anchorage Highways Building
- Anchorage Communications Building
- Anchorage SEF
- Annex on Tudor Road

Janitorial services will be reduce from 5 days per week to 3 days per week at the locations shown below. Only the very basic sanitation services will still be performed (i.e. trash emptied and restrooms cleaned).

- Annex Building on Tudor Road
- DOT&PF Aviation Building
- Anchorage SEF
- Bethel Combined Facility
- Anchorage Boney Court Building
- Anchorage Communications Building
- Kenai Combined Facility
- Kodiak Combined Facility
- Kodiak Griffin Building
- Kodiak Regional Office
- Palmer SEF
- Anchorage Public Safety
- Soldotna SEF
- Statewide Materials Facilities
- Anchorage Highways Building.

Under AS 35.10.170 it is the duty and responsibility of the Department of Transportation to construct, maintain and operate public facilities.

<u>Eliminate two positions and three vehicles ($148,500):</u> Funds typically spent on wages and vehicles will have to be reallocated to cover the increase in utility and heating fuel costs.

Two maintenance journeymen positions, a special high-reach electrical truck, and two general purpose vehicles will be eliminated. Life of the facilities will be significantly reduced and ultimately will render the facilities unsafe and unusable for their intended purpose. These additional reductions will increase the deferred maintenance and ultimately cost the state more money when the facility has to be replaced due to neglect.

Under AS 35.10.170, the Department of Transportation is responsible for maintenance and operation of public facilities. Central Region facilities is inadequately funded for maintaining 202 facilities.

Reduce maintenance parts and supplies ($150,500): Insufficient funding to cover the increase in utility and heating fuel costs will force a 50% reduction in purchasing maintenance parts and supplies. Numerous facilities will not receive any maintenance.

Montana Creek Winter Closure ($45,000): This station consists of a shop, two generator buildings, and a bunkhouse. All equipment would need to be removed or secured. All structures will be impacted by frost heaves and contraction when left unheated. The remote location of this station will make it extremely vulnerable to vandalism and theft.

Cold Shutdown of the Old Fairbanks Courthouse ($224,400): Currently the only occupants of the Fairbanks Courthouse is the District Attorney's office and the Youth Court. The DA's office will need to vacate the 6,400 square feet of the building that they occupy, requiring them to lease space. Assuming a lease rate of $1.75 per square foot, $11,200 could be available to lease space. $20,000 will be retained by Facilities to maintain the exterior of the building and the shutdown of the building systems. Two full-time positions assigned to this building will be eliminated. The impact to the public will be minimal.

Close Inbound and Outbound Richardson Highway Weigh Stations ($15,000): The buildings are being removed as part of a highway construction project. It is currently planned to replace these weigh stations with a single facility in late 2003 or 2004. Impact to the public should be minimal.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Contracting, Procurement and Appeals	($18,200)	General Fund

Impact Title:
Eliminate Administrative Clerk

Impact Analysis:
The only Administrative Clerk position will be eliminated. This will force the professional staff to neglect core duties and perform administrative tasks.

Impact to Statutory responsibilities:
Reduce the ability to meet and comply with federal and state requirements. This includes the Procurement Code, AS 36.30.015(a) Sister Agency delegation of authority, and construction contracting authority; AS 36.30.0915(b) delegated authority for procurement of services and supplies.

Impact on Performance measures:

It will impact the percentage of protests and claims appealed to Commissioner that are overturned by the courts especially if they can not be completed timely.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Equal Employment and Civil Rights	($18,700)	General Fund

Impact Title:
Reduce travel and contractual services

Impact Analysis:
A $5,000 reduction to travel will impact the department's ability to maintain current information and contacts on the Disadvantaged Business Enterprise (DBE) program and Training Special Provisions for Highway and Airport projects.

A $13,800 reduction to contractual services will delay full implementation of the Biztrak payment tracking system to comply with record keeping requirements of 49 CFR Part 26. This will compromise the department's ability to accurately track annual DBE achievement. States found by FHWA to not be tracking these achievements could have funding suspended on existing projects.

Impact to Statutory responsibilities:
This reduction will put the department in the precarious position of not having fully implemented the requirements of the 49 CFR Part 26.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Statewide Information Systems	($76,500)	General Fund

Impact Title:
Eliminate analyst/programmer, reduce professional services in contractual/training and reduce administrative travel

Impact Analysis:
Maintenance activities of the Management Reporting System and the Taxable Travel System will occur at reduced levels. It will take longer for routine maintenance and enhancements may not be provided. The Management Reporting System is used by the entire Department to track the progress and financial status of all construction projects. The inability to update that program to keep it running and to improve its capabilities to meet federal reporting requirements is critical. The Taxable Travel System is used to determine any taxation required by the IRS on travel payments. This was an efficiency measure introduced a few years ago that, if not maintained, can result in intensive labor and be subject to errors.

Program:	Dollar Amount(s):	Fund Source(s):
Statewide Administrative Services	($114,100)	General Fund

Impact Title:
Eliminate Safety Officer and Administrative Clerk, reduce administrative travel and spread cost of officials insurance bond across department.

Impact Analysis:
This eliminates the Safety Officer requested in the FY03 Governor's request. Each year DOT&PF spends approximately $2 million in workers compensation claims. These risks need to be examined with emphasis placed on safety in the workplace, and business needs to be changed to reduce those risks and improve productivity. Without this position to monitor and promote workplace safety, workers compensation will continue to increase.

This reduction will eliminate one of three administrative clerks that support the entire division. Greater amounts of clerical tasks will be spread amongst the other staff reducing their ability to effectively do their jobs. The department’s risk management officials bond will be shared throughout the department thus providing an additional burden to the department programs. A reduction of administrative travel by the division director and the human resources manager will result in less regional staff oversight.

Program:	Dollar Amount(s):	Fund Source(s):
Regional Administrative Services	($109,000)	General Fund

Impact Title:
Eliminate an Accounting Clerk and an Accounting Technician

Impact Analysis:
The Accounting Clerk pays the State Equipment Fleet bills, petty cash reimbursement requests, training invoices, and invoices from vendors which start with the letter G through L. Since none of the tasks can be eliminated, deleting this position will force the workload onto other accounting clerks who already have a full workload. Payment time to vendors will increase by an estimated one to two days.

The Accounting Technician ensures that the accounting and payroll systems interface correctly for the entire department. Without constant monitoring, costs will not post back to the correct budget unit or employee pay corrections will not be made, with possible consequences of additional pay problems. Another job duty is collecting rent from employees who use state provided housing. Eliminating this position will result in a loss of revenue. During the summer, this position moves costs from the Highway and Aviation Maintenance units to federal capital projects. Without these transfers, eligible federal funds will be lost and state maintenance needs will not be covered.

Impact on Performance measures:
May increase the average number of days before vendor payments are made.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Support Services	($46,800)	General Fund

Impact Title:
Layoff one Administrative Clerk

Impact Analysis:
To absorb this funding reduction, an administrative clerk position will be eliminated. Without this position, many basic procurement functions such as preparing delivery orders and processing invoices will be delayed. Work will need to be reassigned to existing personnel who already have full workloads.

Impact on Performance measures:
Additionally, layoff of this position will affect the section's ability to meet their FY03 performance measure delaying the time it takes to process a purchase request before the order is placed.

Program :	**Dollar Amount(s):**	**Fund Source(s):**
Northern Region Support Services	($53,300)	General Fund

Impact Title:
Reduce procurement staff ($48,100) and reduce administrative travel ($5,200).

Impact Analysis:
Eliminate seasonal positions in Nome and Valdez Procurement offices and reduce budgeted overtime for Procurement offices for total Personal Services savings of $48,100. This represents a 16% reduction in procurement staffing.

Reduced staffing during peak performance season for processing of the supporting stock requests for road, bridge and building materials for Maintenance & Operations and Construction may cause some projects to be delayed. Follow up actions to the vendors to establish firm delivery timeframes may suffer and M&O and Construction project managers may not be able to establish firm work schedules. Procurement documents may not be processed expeditiously as required by AS 37.05.285

A reduction of $5,200 represents approximately 40% of the component's travel budget. Because this is an administrative support component by definition, virtually no travel is directly related to project design or construction or direct maintenance activities. The component will not be able to provide hands-on training in new technologies. The Regional Director will have limited ability to travel to enhance community cooperation and involvement in transportation issues, and limits his role as liaison between the department and other agencies and the public.

Program:	Dollar Amount(s):	Fund Source(s):
Southeast Support Services	($31,300)	General Fund

Impact Title:
Eliminate Stock & Parts Services Sub Journey

Impact Analysis:
A warehouse employee currently will be laid off. This position puts stock away, pulls orders and drives trucks. Vessel supplies, including laundry, would not be delivered to the Auke Bay Ferry Terminal on schedule. Vessel sailings will be adversely affected.

Program:	Dollar Amount(s):	Fund Source(s):
Statewide Aviation	($28,400)	General Fund

Impact Title:
Eliminate Leasing Officer

Impact Analysis:
This position is responsible for the state air carrier insurance program and assisting the Statewide Leasing Coordinator with development and implementation of the Title 17 regulations. Other staff will need to assume the air carrier mandatory insurance certification duties, in addition to their normal duties. This will reduce the time available for the other staff's normal duties and provide a reduced level of service to air carrier operators, who must obtain the mandatory insurance certificate in order to legally operate their business.

Impact to Statutory responsibilities:
Title 17 regulations for 262 state-managed airports will become effective March 28, 2002. Implementation of these regulations will be very staff-intensive and delayed without the assistance of the Leasing Officer. There may be a delay in developing guidelines for the types and limits of insurance coverage required for aviation related leases, permits, or concession contracts and is necessitated by new legislation which added subsection (g) to AS 02.15.090 Operation and Use Privileges (Airports). There may also be a delay in repealing the business activity permit section of the International Airport Regulations and creating suitable replacement language. The Alaska Air Carriers Association petitioned to repeal 17 AAC 42.105(a)(1).

Program:	Dollar Amount(s):	Fund Source(s):
Statewide Planning	($6,000)	General Fund

Impact Title:
Reduce contractual services

Impact Analysis:
Reduction in contract amounts for professional services and consultants that conduct special studies and public hearings for the division. This will have a small impact on Public hearings and special studies.

Program:	Dollar Amount(s):	Fund Source(s):
Central Region Planning	($6,900)	General Fund

Impact Title:
General Fund reductions in Non Personal Services

Impact Analysis:
Administrative travel will be reduced by 50% ($1,300). Repairs to office equipment will be reduced resulting in delays completing transportation studies and other planning efforts ($2,400). Upgrading computer hardware and software will be deferred ($3,200). Outdated computer technology will adversely impact the Department's ability to complete the federal planning, programming, and data collection tasks required to obtain federal transportation funding.

Program :	Dollar Amount(s):	Fund Source(s):
Northern Region Planning	($3,800)	General Fund

Impact Title:
Reduce travel for community need assessment

Impact Analysis:
This represents a 25% reduction to travel budget. Eliminate any non-project related travel to review community project needs. Community interaction is a major goal of this component and required by AS 35.10.100.

Program :	Dollar Amount(s):	Fund Source(s):
Southeast Region Planning	($800)	General Fund

Impact Title:
Reduce field travel

Impact Analysis:

This represents a 26% reduction in field travel to project sites and community coordination. Community interaction is a major goal of this component and required by AS 35.10.100.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Design & Engineering Services	($111,700)	General Fund

Impact Title:
Reduce Travel, Training and Conferences
Statewide ($53,000)
Central ($23,600)
Northern ($15,900)
Southeast ($19,200)

Impact Analysis:
As the core technical branch of the Department, knowledge, education and training are central elements of the service we provide to Alaska's citizens and communities. This cut will reduce our ability to provide sufficient training and education for our staff. We have high standards for our employee's performance in complex technical fields. The public expects a degree of technical competence from their core engineering staff that can only be provided through ongoing training and education.

Program:	**Amount(s):**	**Source(s):**
Central Region Construction & CIP Support	($4,300)	General Fund

Impact Title:
Reduce Travel Funding for Manager's Training and Conference Travel.

Impact Analysis:
Managers occasionally travel to professional engineering training and conferences in Alaska and the continental U.S. We will reduce professional engineering training/conference trips to absorb this funding reduction. This will impact our ability to stay current on engineering developments and techniques that could enhance the safety and cost effectiveness of our highways, airports, and buildings program.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Construction & CIP Support	($8,700)	General Fund

Impact Title:
Reduce Contractual Funding for Support Staff Training and Service/maintenance Contracts on Office Equipment.

Impact Analysis:
The construction program in Central Region has increased more than 40 percent since the passage of TEA -21 in 1998 with no additional general fund authority. Reduced support staff training leads to inefficiencies as staff are not able to keep up with technology changes. Reduced service/maintenance contracts will result in a short-term savings, however, increased costs are likely to be incurred in later years when the equipment breaks down.

Program:	Dollar Amount(s):	Fund Source(s):
Northern Region Construction & CIP Support	($16,100)	General Fund

Impact Title:
Reduction of Project Engineer training ($13,600) and non-field related Travel ($2,500)

Impact Analysis:
Training and administrative travel are not allowed as direct charges to federal construction projects. The reduction of $13,600 of General Funds will reduce project engineering training. Project engineering training is necessary for the interpretation of project specifications and project management skills needed to effectively manage our federal construction programs.

The construction program in Northern Region is expected to increase by $60 million over the next three years and the FY03 budget adds 10 additional engineering positions required for construction administration. As project engineers, these positions are responsible for the inspection, acceptance and payment for work performed on construction projects. Lack of training will lead to increased overall contract administration costs, due to inexperienced engineers administering projects.

Approximately 90% of this component's travel budget is spent annually on field travel. A reduction of $2,500 represents 10% of the total Travel budget and eliminates all funding for administrative and non-project related travel. Administrative travel is necessary to maintain consistent project management standards within the Department and the Region. Administrative engineering managers assess the Region's progress throughout the construction season in meeting deadlines and timeframes and assist in planning and identifying future projects by reviewing current road and community growth conditions. Travel to conferences and meetings keep the department's managers up to date on current trends and technologies, best practices and transportation related innovations.

This will impact the key performance measure of keeping contract administration costs within 15% of the total construction costs and the component's ability to improve its performance on the measure which looks at the "percentage of total construction costs that were spent on change orders." In addition, it will jeopardize the component's ability to provide the required level of training as outlined in 2AAC 07.300 – Employee Training and 23 CFR 172.13 – Administration of Engineering and Design Related Service Contracts, Monitoring the Contract Work.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
SE Region Construction & CIP	($11,500)	General Fund

Impact Title:
Reduction in Travel

Impact Analysis:
Training and administrative travel are not allowed as direct charges to federal construction projects. Manager's travel to public meetings and professional engineering training and conferences will be discontinued. Engineers will not have an opportunity to learn first hand the latest developments, theories, and techniques that could be implemented to provide safe, reliable and cost effective highways and airports.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Traffic Signal Maintenance	($46,000)	General Fund

Impact Title:
Reduce Traffic Signal Maintenance Agreement

Impact Analysis:
The proposed 4% budget cut in the Traffic Signal Management System appropriation will be a direct funding reduction to the Municipality of Anchorage (MOA) who maintains and operates 241 signals for the department. The MOA has stated that any further cuts would result in shutting down traffic signals and not accepting any new ones added to the system by the department. Shutting down traffic signals may substantially impact traffic flow in Anchorage and increase accidents.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Northern Region Facilities	($10,000)	General Fund

Impact Title:
Administrative Travel Reduction

Impact Analysis:

Facility maintenance is becoming more complex. Administrative travel to attend conferences and training to keep technicians current will be reduced by 80% for the Interior District.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Southeast Region Facilities	($80,000)	General Fund

Impact Title:
Eliminate administrative support.

Impact Analysis:
Eliminate two administrative positions will result in a slowing of vendor payments and administering contracts. These duties will need to be absorbed by the remaining professional positions reducing the time spent on actual repairs and maintenance work. Engineering services and contract management would be hindered.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Leasing and Property Management	($30,800)	General Fund/ Program Receipts

Impact Title:
Non-payment of increased utility fees at the Kodiak Airport

Impact Analysis:
Leasing does not receive any direct General Fund dollars and is totally funded by Program Receipts and Interagency Receipts generated by rents and fees charged to tenants. Central Region Leasing generates $1,200,000 in revenues per year on an operating budget of $600,000.

The Kodiak Airport is owned by the U.S. Coast Guard (USCG) and leased to the Department. The USCG owns and operates the water/wastewater system used by our tenants. The USCG bills the Department for these services and Leasing, in turn, bills the tenants. The USCG has changed its billing structure and rates will increase effective July 1, 2002. Based on past consumption the annual bill will increase from $8,500 to $39,300. Non-payment of this increased pass-through obligation will jeopardize the airport lease agreement.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Leasing and Property Management	($24,400)	General Fund/ Program Receipts

Impact Title:

Eliminate one Administrative position

Impact Analysis:
Leasing does not receive any direct General Fund dollars and is totally funded by Program Receipts and Interagency Receipts generated by rents and fees charged to tenants. Central Region Leasing generates $1,200,000 in revenues per year on an operating budget of $600,000.

An Administrative Assistant position was created to implement revenue enhancements authorized by the Revised Title 17AAC45. With this position, Leasing could efficiently implement the tiedown program at 9 Central Region airports and generate an additional $233,000 in revenue per year. With the elimination of this position, Central Region Leasing and Property Management will not have sufficient staff to effectively implement the tiedown program resulting in significant lost revenues to the state.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Northern Region Leasing and Property Management,	($22,200)	General Fund/ Program Receipts

Impact Title:
Reduce full-time Leasing Officer II position to nine months ($20,400) and reduce administrative travel ($1,800)

Impact Analysis:
The impact of a $20,400 reduction to this component will necessitate changing a full time Leasing Officer II position to a part time position. This would result in a reduction in the number of rural airport leasing transactions processed, with a proportional decrease in revenues. Each Leasing Officer manages revenue collections averaging $200,000 annually. A reduction of leasing revenues will negatively impact the budget for Highways and Aviation. Historically, every dollar spent by the Leasing component results in a return of approximately two dollars in revenue to the State.

Leasing officers travel to regional airports will be reduced by 10%. Onsite inspection of tenant compliance with lease and safety requirements will be impacted.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region State Equipment Fleet	($300,000)	Highway Equipment Working Capital Fund (HWCF)

Impact Title:
Layoff SEF Mechanics

Impact Analysis:
We will layoff 5 State Equipment Fleet mechanics in the following locations:

3 in Anchorage
1 in Palmer
1 in Soldotna

As a result of turning in SEF equipment related to maintenance station closures and overall staff reduction, less equipment maintenance will be required.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Northern Region State Equipment Fleet	($350,000)	Highway Equipment Working Capital Fund (HWCF)

Impact Title:
Layoff SEF Mechanics

Impact Analysis:
We will layoff 5 State Equipment Fleet mechanics in the following locations:

4 in Fairbanks
1 in Nome

As a result of turning in SEF equipment related to maintenance station closures and overall staff reduction, less equipment maintenance will be required.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Measurement Standards & Commercial Vehicle Enforcement	**(**$119,800)	General Fund

Impact Title:
Eliminate Seasonal Commercial Vehicle Enforcement Officers and Administrative Travel

Impact Analysis:
The division will have to eliminate seven Seasonal, Part-time Commercial Vehicle Enforcement Officers that help operate the 10 fixed weigh stations throughout Alaska during the summer trucking season. This will prevent the department from keeping the Tok border weigh station open 24 hours a day, 7 days a week. The result will be more trucks operating in an illegal, overweight, and unsafe manner, thereby decreasing overall roadway safety and increasing roadway degradation.

The division will also decrease administrative travel.

Impacts on Performance Measure:
The division will no longer be able to achieve inspection thresholds established in legislative performance measures.

Impact on Statutory Responsibilities:
Failure to meet our established threshold constitutes failure to meet program objectives under the USDOT, Motor Carrier Safety Assistance Program.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Highways and Aviation	($130,000)	General Fund/ Program Receipts

Impact Title:
Highway Damages Program

Impact Analysis:
The Department collects money for damage to state facilities (guardrails, luminaires, etc.) from those individuals responsible for damages caused by accidents. The $130,000 reduction from our budget request for damage collections will not give us sufficient receive and expend authority to purchase materials and make necessary repairs to state highway property at the same rate that damage is occurring. The net result will be further deterioration of our facilities.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Highways and Aviation	($13,000)	General Fund

Impact Title:
Close Canyon Creek Vault Toilets during the winter

Impact Analysis:
The three new vault toilets and dumpster facilities at Canyon Creek on the Seward Highway near the Hope cutoff are used by thousands of travelers, year round. This is a major stop for people traveling between the Kenai Peninsula and Anchorage. In the winter, the school buses carrying high school athletes to games also use these facilities. Closing these vault toilets during the winter will inconvenience the traveling public.

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Central Region Highways and Aviation	($172,000)	General Fund

Impact Title:
Reduce Administrative Positions and Reduce Administrative Travel

Impact Analysis:
The Assistant Superintendent in Anchorage District will be laid off and one of two Airport Security Officer positions in Maintenance and Operations Administration, which has recently become vacant will not be filled. In addition, region wide administrative travel will also be reduced by 50% ($4,500). Elimination of the Assistant Superintendent will significantly slow down the processing of administrative paperwork and affect our ability to respond to public inquiries and complaints. Leaving the Airport Security Officer position vacant will place additional burden on already overworked staff attempting to respond to the increased security and safety measures at airports resulting from September 11.

Program:	Dollar Amount(s):	Fund Source(s):
Northern Region Highways & Aviation	($65,700)	General Fund

Impact Title:
Administrative Travel Reduction

Impact Analysis:
Reduce administrative travel for training, conferences, and meetings ($40,700) and eliminate lease of the Regional Aviation Manager's aircraft ($25,000). The impact will be felt in reduced service to remote airports and would necessitate more use of charters and commercial aircraft. Response time to repair lighting systems will increase. This reduction will eliminate one-on-one contact and training of remote area employees. The total travel budget for administrative functions is $85,000. It is reduced by 77% with this cut.

Program:	Amount(s):	Source(s):
Southeast Highways & Aviation	($111,900)	General Fund

Impact Title:
Reduce Administrative Support Staff and Travel.

Impact Analysis:
One administrative position in Haines and one in Juneau will be eliminated. The station foremen will be required to take on additional administrative duties, taking time away from highway and airport maintenance. There will be delays in processing time sheets, invoices, vendor payments, and other administrative actions.

A travel reduction of $20,000 will result in training programs requiring travel to be discontinued or curtailed including training in maintenance of new signal equipment. Electrical problems in communities outside of Juneau will receive delayed response time.

University of Alaska
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Pat Pitney

The House Finance Subcommittee's budget reduces the University of Alaska's general fund request by $16,989,700 from the governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Contract and Policy Salary Maintenance	($ 5,665,300)	General Fund
Non-Discretionary Cost Increases	($ 3,851,100)	General Fund
Maintaining Solid Foundation	**($ 9,516,400)**	**General Fund**
Keeping Pace with Technology	($ 774,000)	General Fund
Attracting and Retaining Alaska's Students	($ 1,750,000)	General Fund
Meeting Alaska's Employment Needs	($ 3,367,000)	General Fund
Preparing for Alaska's Economic Success	($ 1,582,300)	General Fund
New Initiatives Responding to State Needs	**($ 7,473,300)**	**General Fund**
Total Program Impact	**($16,989,700)**	**General Fund**

Impact Title:
Of the $17 million increment in the Board of Regents' UA FY03 request, $9.5 million is required for contract and policy salary increases and non-discretionary fixed costs. At the funding level in House Finance's proposal, the University would have to cut this $9.5 million from existing programs, and not continue the progress on initiatives responding to the state's critical needs in terms of new program initiatives, such as health, workforce develop, engineering, education, and addressing Alaska's community/policy issues.

Impact Analysis:
If UA is forced to deal with recovering the $9.5 million to maintain its base in FY03, the impact to Alaska's economic potential will be struck by the impact of financing UA programs and even worse, a loss of public confidence in the legislature's support for UA. A primary reason UA has been able to increase programs and services, enrollment, partnerships and external revenue is because the state was investing in the University. Without the State legislature as a consistent partner in supporting UA's base and essential growth, students, partners and donors will be hesitant to commit especially since UA will have to reduce programs and services to cover base increases.

The $9.5 million needed to maintain the University's base in FY03 is comprised of $5.7 million in contract and policy mandated salary increases for faculty and staff and $3.8 million in fixed cost increases. The impact in covering this base shortfall can be translated in the following scenarios:

Total Budget:
For every $1 million in state appropriations on average the university generates $1.4 million in external revenue. Because of UA's leveraging capability, covering $9.5 million to maintain the existing base will equate to a total revenue shortfall $23 million.

Positions:
The University has 3,689 approved positions with a combined authorized personal services budget of $269 million. A reduction of the needed general fund $5.7 million in contract and policy salary increases would force the elimination of at least 78 full-time positions across the state. An additional 108 positions would be affected with the corresponding loss in university-generated revenue, $7.9 million. Covering the full base requirements of $9.5 million general fund and related $13.3 million in university-generated revenue would force the elimination of more than 300 full-time positions.

Community Campuses:
Currently, $24 million of state appropriations is directed to community campuses. The impact of a $5.7 million shortfall is equivalent to closure of 3 community campuses. The total base shortfall of $9.5 million is equivalent to closing 5 community campuses.

Instruction:
UA delivers nearly 17,000 courses per year. State appropriations account for $57 million of instruction revenue, student tuition and fees adds another $50 million. A general fund shortfall of $5.7 million would result in an elimination of over 2000 courses plus a loss in students and tuition revenue. At a reduction of $9.5 million, over 3000 courses would be reduced with corresponding reductions in tuition revenue.

Research:
Research at the University of Alaska produced $5.70 for every $1 of state appropriations. While there is variance in this ratio across individual research programs, a reduction of $5.7 million GF funding would translate into a loss of $32.5 million in external revenue to the State. At $9.5 million the state would lose over $54 million in external revenue.

Legislative Measures:
In addition to the shortfall in maintaining the University's base, the current sub-committee request does not address any of the $7.4 million initiative investment to continue programs to improve UA's performance on the legislated performance measures per HB250.

Initiatives:
Over the last three years, the legislature has provided UA with an average 5% annual increase, 1.5% real growth. Of the increased state appropriations, $13.5 million was invested in initiatives to start and expand program offerings directed at state needs. The remaining funding was necessary for maintaining UA's base. The $9.5 million state funding necessary to simply cover UA's FY03 fixed cost requirements is equivalent to 70 percent of the last three years of initiative program investments. If UA has taken three steps forward – this is clearly, two steps back.

Alaska Court System
Impact Statement in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Chris Christensen

Program:	**Dollar Amount(s):**	**Fund Source(s):**
Alaska Court System	($3,009,400)	General Fund

Impact Title:

Budget reduction from FY03 maintenance level funding.

Impact Analysis:

Although on paper it appears that the court system will sustain a 1.26% reduction compared with FY02, the House allocation for the court system actually amounts to a reduction of 5.7% in available dollars from the FY02 funding level. The reality is that the proposed reductions result in a $3,000,000 budget cut. This reduction includes the failure to fund $1.56 million for the 3% pay raise approved by the legislature, $680,000 for increased contributions that the state is required by law to make to the Judicial Retirement System to insure actuarial soundness, and $164,100 for the balance needed for funding the Anchorage and Bethel DWI Courts and felony lookback provisions that the legislature created last session. It also includes the imposition of a $597,700 unallocated reduction.

The court system has essentially one program: to provide a forum for the resolution of civil and criminal cases filed by individuals, businesses, organizations, and governmental entities. A budget reduction of this magnitude means that the court will have fewer resources to handle an increasing caseload, which will inevitably cause a slowdown in case processing. However, the overwhelming majority of the caseload cannot legally slow down because the constitution and various statutes provide specific timeframes in which cases must be handled. Thus, there is an irreconcilable conflict between the program, the manner in which the program must be operated, and the budget allocation.

The court system could stop offering the program at certain locations. However, this would not stop the demand for services at those locations. For example, 10.3% of the statewide caseload is filed in Palmer, the state's third busiest court. Closing the Palmer Courthouse would save approximately $1.5 million, less than half the proposed budget reduction. However, crimes would still be committed in the Mat-Su Valley and people would continue to dispute contracts and seek divorces. The cases generated by Mat-Su residents would simply shift to Anchorage, where the resources to handle them do not exist.

Seventy five percent of the court system's budget is for personnel costs, and 70% of positions are Range 15 or lower. Under this budget allocation, an estimated 50 jobs will be lost, courts will be closed, and case processing will be substantially delayed at the remaining court locations.

This impact statement only addresses the necessity of having the court system's maintenance level funding restored. It should be noted, however, that in its FY03 budget submission, the court requested several increments intended to improve the operation of the justice system. These will not be funded at this budget level. They include increments for court security in Kenai and Palmer and to provide additional travel and training funding for staff serving the rural areas. The court also requested an increase in juror pay from $25 to $27.50 per day and additional positions to improve court services throughout the state. Finally, the court sponsored a $3,948,900 court security increment proposed by the Department of Public Safety, which is statutorily responsible for providing court security but is unable to adequately do so with the limited staffing available for this assignment.

Alaska Judicial Council
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Larry Cohn

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Judicial Council	($66,300)	General Fund

Impact Title: Insufficient Funding for Evaluation of Anchorage and Bethel Therapeutic Courts; Delayed Analysis of Civil Case Data; Elimination of Self-Represented Litigants Study

Impact Analysis:

The House Finance Subcommittee reduced the Council's base budget from the previous year by approximately 1 per cent, did not provide funding in an amount equal to the costs of the third year of a labor contract, and did not approve funding for a proposed study of the extent, nature, and significance of Alaska court cases that involve self-represented litigants. The lack of funding for the third year of the labor contract contributes to a significant underfunding in the personal service component of the Council's budget.

The legislature has required the Council to evaluate two new therapeutic superior courts in Bethel and Anchorage. These courts are intended to reduce recidivism of chronic alcoholic felony offenders. The Council's evaluation of these projects will provide data for performance measures, approved by the subcommittee, for the court system. No funding was provided for this evaluation. The Council will attempt to obtain funding from other sources or through reciprocal services agreements for work performed for other agencies to cover its unfunded costs. If sufficient funding is not available, the Council will require supplemental and/or incremental funding in ensuing fiscal years.

Legislation requires the Council to evaluate civil case data provided by attorneys and self-represented litigants to enable the legislature to make informed assessments of tort reform. The Council has evaluated data at approximately 18 month intervals since the requirement was imposed. Decreased funding will require the Council to evaluate the data less frequently. Alternatively, the legislature can decide to repeal the automatic reporting requirement.

Absent funding, the Council cannot proceed with its study of self-represented litigants. The study would make recommendations on how self-represented litigants could become more informed and better prepared. Carrying out these recommendations would improve the efficiency of the judicial system, foster more just results, and create a justice system more responsive to the public's needs.

Program Area:	**Dollar Amount(s):**	**Fund Source(s):**
CourtWatch	($300)	General Fund

Impact Title: Less Frequent Training

Impact Analysis:

CourtWatch is a program sponsored by Victims for Justice. CourtWatch trains and sends citizens to monitor criminal court proceedings and to evaluate the performance of judges. The Judicial Council uses this evaluation as one measure of overall judicial performance. Reduced funding will require CourtWatch to provide less frequent training for its volunteers.

Commission on Judicial Conduct
Impact Statements in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: Marla Greenstein

Program Area:	**Dollar Amount(s):**	**Fund Source(s):**
Commission on Judicial Conduct	($6,500)	General Fund

Impact Analysis:

Personal Services Underfunding – The Commission on Judicial Conduct operates with a staff of two (an executive director and an administrative assistant) on a full-time basis. Our budgetary funding has declined consistently over the past several years. We have responded by reclassifying the administrative assistant position downward from a range 14 to a range 10 position and by limiting our use of outside temporary secretarial services to only those times when no permanent staff are available in the office (e.g. during Commission meetings). In addition, the executive director now does all non-adversarial court filings for the Commission reducing outside attorney's fees. Despite all these cost-saving measures we will be underfunded in personal services by $19,700 with the current unallocated budget reductions. We requested a $4,400 increment that would help us meet the automatic salary increases that will occur for all state employees. Recognizing that all agencies are required to have some level of personal services underfunding, with this increment, we remain underfunded in personal services by $13,000 or 8.24% which is still higher than the 0-3% normally allocated for a unit of our size. With the additional unallocated reduction and the denial of our increment request, the House Finance Subcommittee has essentially imposed a 12.1% personal services underfunding for our agency.

Alaska Housing Finance Corporation/Department of Revenue
Impact Statement in Response to
House Finance Subcommittee Budget Proposals
Date: March 11, 2002
Prepared by: John Bitney, AHFC

Program Area:
Section 5 of HB 403 appropriates $103 million from the Alaska housing finance revolving fund (AS18.56.082) to the Alaska debt retirement fund (AS 37.15.011).

There are both impacts and financial implications from Section 5(a).

- The legislature has never appropriated the annual amount of funds made available by AHFC, only the specific capital projects are appropriated. The amount of Funds made available by AHFC has always been determined by the Board of Directors.
- Debt service payments on AHFC State Capital Project Bonds have never been appropriated by the legislature. Payments to investors are made directly by AHFC.
- Placing all AHFC funds for FY03 in the debt retirement fund raises the question of funding for capital budget projects. These projects and programs have always been funded directly by AHFC, with appropriation authority provided by the legislature.
- The AHFC Board of Directors approved a transfer payment of $96.3 million for FY03. This amount was based on the language of the transfer plan language agreed upon several years ago with the legislature and the governor.

The most serious impact of directly appropriating AHFC funds into the debt retirement fund relates to legal questions about the legal separation between AHFC and the State of Alaska. AHFC's debt to its bondholders is a direct relationship between the investor and the corporation. Debt of the corporation is not a debt of the State of Alaska. This direct relationship is essential in order for AHFC to continue to maintain its credibility and strong access to the nation's capital markets.

AHFC is recognized as a public corporation, and therefore is subject to legislative oversight and review under the Executive Budget Act (AS 37.07). However, in order to ensure a clear separation of the corporation's debt, payments to bond holders are not subject to legislative appropriation (please see AS 18.56.089).

This section should be restructured to provide for the annual transfer to be made at the direction of the AHFC Board of Directors. To date, the amount established in this language has always been cooperatively reached in agreement between AHFC and the State. As a result, bond rating agencies have recognized the transfer plan as a good relationship and have clearly expressed this recognition in recent bond rating improvements and upgrades.

AHFC recognizes that the legislature has become accustomed to $103 million made available for several years. However, recent financial reviews by the Legislative Audit Division, AHFC independent auditors, and the nation's bond rating agencies have noted the decline in capital within the corporation. For this reason, the AHFC Board of Directors approved a transfer amount of $96.3 million for FY03 that is the net income from the previous fiscal year (FY01).

History of the AHFC Transfer Plan

In early 1995, AHFC was placed on *Credit Watch* by Standard & Poor's as a result of proposed legislation to transfer hundreds of millions of dollars from the Corporation to the State's treasury. An agreement was made during that legislative session to establish an Asset Transfer Plan of $270 million to the State over five years and a capital budget for the Corporation of $53 million annually. By establishing a consistent and predictable transfer, the Corporation was taken off "Credit Watch" with the passage of Chapter 103, SLA 95.

The Transfer Plan was updated three years later with the passage of Chapter 129, SLA 98.

> **Section 1.** The legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve it as a valuable asset of the state. To accomplish this goal, the sum of withdrawals for the repayment of bonds under sec. 2(c) this Act, for transfer to the general fund, and for expenditures on corporate funded capital projects should not exceed the corporation's net income for the preceding fiscal year. The Alaska Housing Finance Corporation projects that $103,000,000 will be available in each fiscal year beginning with 1999 through 2006, for a total amount during the seven-year period of $721,000,000.

Two years later, the Transfer Plan was extended with the passage of Chapter 130, SLA 00:

> (T)he legislature restates and reaffirms its intent as expressed in sec. 1, ch. 129, SLA 1998, that the sum of withdrawals for repayment of bonds under sec. 10(b) of this Act and for all other purposes described in sec. 1, ch. 129, SLA 1998, should not exceed the Alaska Housing Finance Corporation's net income for the preceding fiscal year, which the Alaska Housing Finance Corporation projects to be $103,000,000 for each of the fiscal years beginning with 2000 through 2008, for a total during that nine-year period of $927,000,000.

The Transfer Plan language calls for a sum not to exceed AHFC net income, but a minimum level of $103 million has been provided annually for cash payments to the general fund, payments on bonds issued by AHFC for state capital projects, and for other state expenditures.

A projection of $103 million for AHFC net income was done in 1995 when the Transfer Plan was established. The projection was built on financial assumptions that were reasonable and prudent at the time. For example, AHFC investments are largely short-term investments that enjoyed a 6% rate of return in 1995. With rates steadily falling in recent years, a six-month Treasury bill today is earning less than 2%.

To help offset earning losses from lower interest rates on mortgages and investments, AHFC has worked to increase net income consistently by purchasing Alaskan mortgages. As our loan portfolio has risen from under 26,000 loans in 1997 to 30,239 loans at the end of FY01, total revenues of the Corporation have increased from $308 million to $376 million. The increased revenues, along with AHFC refunding outstanding debt and issuing new, lower-cost debt, have enabled the Corporation to maintain a relatively stable net income for the period.

The Legislative Budget & Audit (LB&A) Committee authorized a financial analysis of the Corporation and the Transfer Plan at the request of the Senate Finance Committee, releasing Audit Report 04-4608-00 on February 23, 2000. Concerns were expressed throughout the report and within the Report Conclusions regarding AHFC's financial ability to meet the $103 million level for transfers through fiscal year 2006.

Program Area:	**Dollar Amount(s):**	**Fund Source(s):**
AHFC Mortgage Operations	($4,000,000)	AHFC Dividend

Impact Analysis:

Section 5 of HB 403 removed $4 million in AHFC dividend funds for Housing Loan Programs. This program would provide AHFC funds to help continue interest rate reduction programs on mortgage loans to low-income borrowers.

The Interest Rate Reduction for Low-Income Borrowers (IRRLIB) is used to increase homeownership opportunities for qualified borrowers. Currently, interest rate reductions are offered through the management of arbitrage yield restrictions, but this opportunity is quickly diminishing as AHFC comes complies with the IRS requirements limiting arbitrage. In short, reducing interest rates through the use of arbitrage (which AHFC has done over the past five years) will soon be gone.

The $4 million would extend the current program to about 600 home loans to low-income borrowers. This is based on a current average of $6,700 in IRRLIB funding per loan (as of March 8, 2002). Based on current interest rates, the loss of these loans represents a loss of about $400,000 a year in potential net income to AHFC.